

Comprehensive Annual Financial Report

FOR FISCAL YEAR ENDED JUNE 30, 2002



CITY OF NORFOLK, VIRGINIA





Comprehensive Annual Financial Report

of the

City of Norfolk, Virginia

For the Fiscal Year Ended June 30, 2002

Prepared by:
Department of Finance
Steven G. de Mik, Director

www.norfolk.gov

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June 30, 2002
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Municipal Officials

Honorable City Council

President and Mayor
Vice Mayor
Member
Member
Member
Member
Member

Paul D. Fraim
Herbert M. Collins, Sr.
Duan Sessoms Hester
G. Conoly Phillips
Barclay C. Winn
Paul R. Riddick
W. Randy Wright

City Manager
Regina V.K. Williams

Assistant City Manager
Assistant City Manager
Assistant City Manager

Sterling B. Cheatham
Iris B. Jesse
Shurl R. Montgomery

Director of Finance
Steven G. de Mik, CPA

City Assessor
City Attorney
City Auditor
City Clerk
City Treasurer
Commissioner of the Revenue
Director of Budget & Management
Director of Civic Facilities
Director of Communications & Public Relations
Director of Economic Development
Director of Facility & Enterprise Management
Director of Fire & Paramedical Services
Director of Human Resources
Director of Human Services
Director of Information Technology
Oversight of Intergovernmental Programs
Acting Director of Libraries
Director of Neighborhood & Leisure Services
Director of Maritime Center (Nauticus)
Acting Director of Planning & Community Development
Director of Public Health
Director of Public Works
Director of Utilities
Police Chief
Registrar of Voters

Wayne N. Trout
Bernard A. Pishko
John H. Sanderlin, Jr.
R. Breckenridge Daughtrey
Thomas W. Moss, Jr.
Sharon M. McDonald
Barbara E. Lai
John S. Rhamstine
Terry L. Bishirjian
Roderick S. Woolard
Stanley A. Stein
Chief Dennis L. Rubin
Nancy N. Olivo
N. Clark Earl
Hap M. Cluff
Sterling B. Cheatham
Yvonne Hilliard-Bradley
W. Curtis Randolph
Richard C. Conti
Sterling B. Cheatham
Valerie A. Stallings, M.D.
John M. Keifer
Kristen M. Lentz, P.E.
Melvin C. High
Elisa J. Long

CITY OF NORFOLK, VIRGINIA
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Municipal Officials

Norfolk Municipal Bond Commission

Chairman	William K. Butler, II
Vice Chairman	Letetia R. Batey
Member	R. Braxton Hill, III
Member	Wendell K. Johnson
Member	Dickenson B. Phillips
Member	William J. Romig
Ex officio member – Mayor	Paul D. Fraim
Ex officio member – City Manager	Regina V. K. Williams
Ex officio member – Director of Finance	Steven G. de Mik
Ex officio member – City Treasurer	Thomas W. Moss, Jr.

JUDICIAL

Fourth Judicial Circuit Court

Chief Judge	Marc Jacobson
Judge	Junius P. Fulton, III
Judge	Charles D. Griffith, Jr.
Judge	Charles E. Poston
Judge	Jerome James
Judge	Joseph A. Leafe
Judge	Everett A. Martin, Jr.
Judge	John C. Morrison, Jr.
Judge	Lydia Calvert Taylor
Clerk	Albert Teich, Jr.

Norfolk General District Courts

Chief Judge, General District Court	Gwendolyn J. Jackson
Judge, Civil Division	Louis A. Sherman
Judge, Criminal Division	Ray W. Dezern, Jr.
Judge, Criminal Division	Norman A. Thomas
Judge, Traffic Division	Charles R. Cloud
Judge, Traffic Division	Lawrence C. Lawless
Clerk	Thomas E. Baldwin

Norfolk Juvenile and Domestic Relations District Court

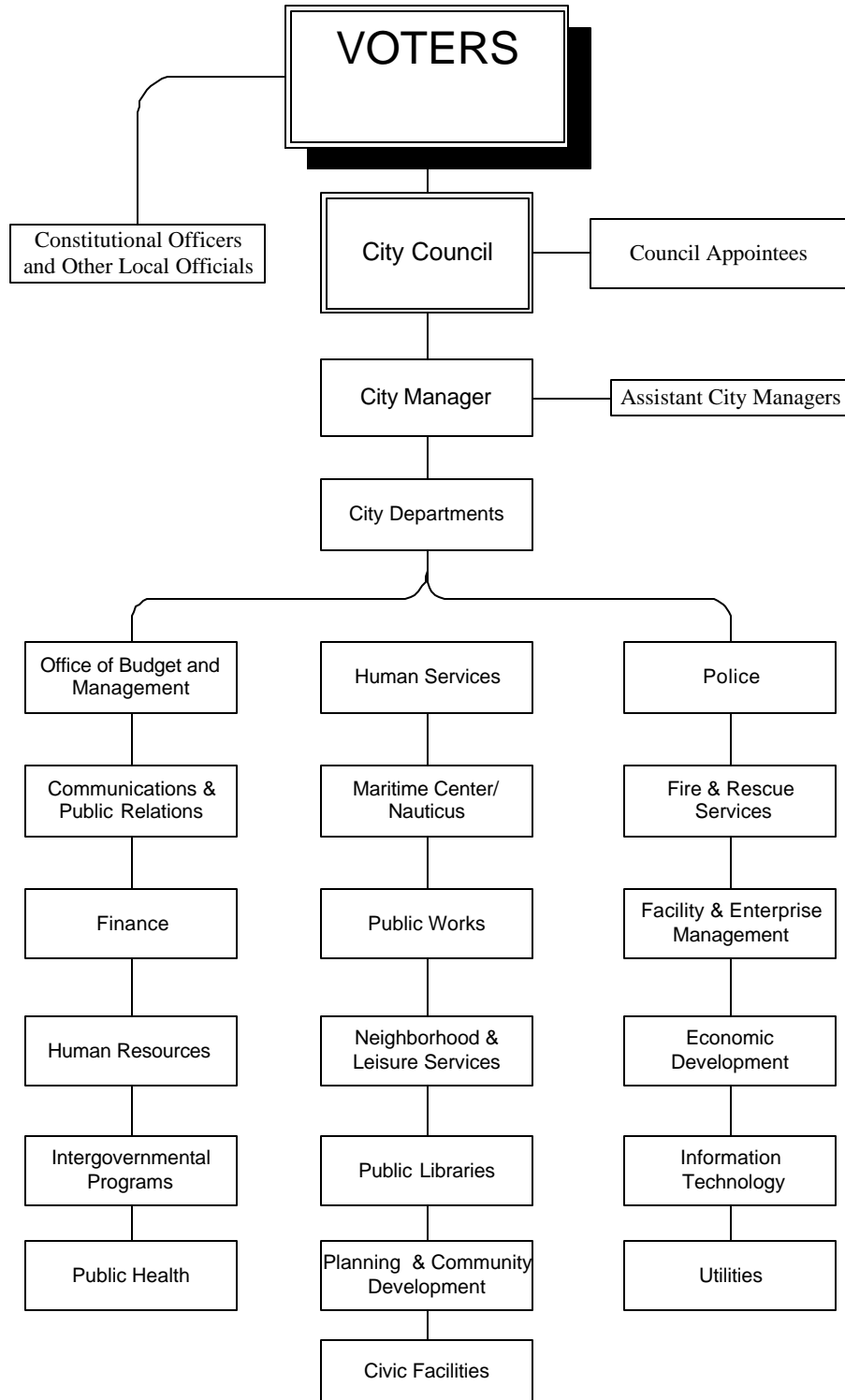
Chief Judge	Joseph P. Massey
Judge	M. Randolph Carlson, II
Judge	William O. Hawkins
Judge	Joan C. Skeppstrom
Judge	William P. Williams
Clerk	Debra A. Hill

Other Judicial Officials

Sheriff	Robert J. McCabe
Commonwealth's Attorney	John R. Doyle

CITY OF NORFOLK, VIRGINIA
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ORGANIZATION CHART





City of Norfolk

Office of the City Manager

October 11, 2002

To The Honorable Council
City of Norfolk, Virginia

To the Honorable City Council and Citizens of the City of Norfolk:

The Comprehensive Annual Financial Report (CAFR) of the City of Norfolk (the City) for the fiscal year ended June 30, 2002 is hereby submitted. State law and local charter requirements require the City publish at the close of each fiscal year a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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The City's financial statements have been audited by Cherry, Bekaert & Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Other Reports of Independent Auditor's section of the CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

The City Council elects a Mayor and Vice Mayor from among its members. Among the City officials appointed by the City Council is the City Manager, the administrative head of the municipal government. The City Manager carries out policies of the City Council, directs business procedures, and appoints, with the power to remove, the heads of departments and other employees of the City, except those otherwise specifically covered by statutory provisions.

Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently from a county government since they are located outside boundaries. There are no overlapping jurisdictions and consequently citizens of a Virginia city are not subject to overlapping debt or taxation.



The City of Norfolk was established as a town in 1682, as a borough in 1736, and incorporated as a city in 1845. The City is the economic, business, educational and cultural center of Southeastern Virginia. It lies at the mouths of the James, Elizabeth and Nansemond Rivers and the Chesapeake Bay, and is adjacent to the cities of Chesapeake, Portsmouth, and Virginia Beach. There are 66 square miles included in the City's corporate boundary. The City's population is currently estimated to be 234,500.

The City is organized under a Charter, granted by the General Assembly of Virginia in 1918, which authorizes a council-manager form of government. The City Council exercises all of the governmental powers conferred upon the City and consists of seven members elected to office under a ward-based system, with two members elected from city-wide super wards.

The City provides a full range of services including: police protection, fire and paramedical services; public health and social services; planning and zoning management; code enforcement; storm water management; street maintenance; traffic control; parks and cemeteries operation and maintenance; recreation and library services; solid waste disposal; general administrative services; water and wastewater utilities; and parking facilities.

The City is also financially accountable for a legally separate school district, a legally separate redevelopment and housing authority, and a legally separate community services board. Additional information on these legally separate entities can be found in Note I in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to City Council for review no less than 60 days before the end of the fiscal year. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than May 31, thirty days before the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), department (e.g., police), and major category (e.g., personal services). The City Manager may make transfers of appropriations within a fund, but revisions that alter the total appropriation by fund must be approved by City Council. The budget-to-actual comparisons are provided in this report for each individual fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund section of this report. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for major governmental fund for which a project-length budget has been adopted (i.e., the capital projects fund).

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The City continues to maintain its position of fiscal strength, partially attributable to effective management and the public administration policies of the City Council. Contributing factors also included self-imposed restraints on expenditures and revenue enhancement through a diligent economic development program.

The City's economic development initiatives and strategies develop and strengthen new or existing projects focused on the attraction, expansion and retention of businesses, neighborhood and community revitalization, and commercial corridor development. These initiatives provide a structure for development and redevelopment in various parts of the City as well as contribute to the tremendous growth experienced over the last 20 years in business and employment, new residential opportunities, and entertainment.

Downtown Development

Norfolk is the business, financial, cultural and educational center of the Hampton Roads region. Downtown Norfolk is the heart of the Hampton Roads region and offers a mix of cultural attractions and entertainment for citizens and tourists. These attractions include Nauticus, USS Wisconsin, Harbor Park, MacArthur Center, Harrison Opera House, Chrysler Museum, Marriott Hotel and Conference Center, Tidewater Community College and Waterside Festival Marketplace.

In March 2002, the City's mayor unveiled the 2010 Plan that calls for a series of initiatives, many of which are residential, whereby all of the individual developments are coordinated with public improvements to create complete environments that extend to public spaces of Downtown.

USA Today in May 2001 reported that Norfolk was included in the “Top Ten Booming Downtowns” from a study compiled by the Brookings Institute of finds from the U.S. Census 1990 versus 2000. Downtown Norfolk grew 20.5%, earning a ranking of the seventh fastest growing downtown for residential growth.



The downtown office market experienced tremendous growth in the last two years, spurring new construction to accommodate the growing market. In addition to the completion of the Crown Center Office Tower in September 2000, the City celebrated the opening of the new 220,000 square foot, 150 Main Street, Office Tower in the spring of 2002. The public/private venture includes a new 835 space public parking facility in downtown.

MacArthur Center, an upscale regional shopping center anchored by Nordstrom and Dillard's, is a super retail center for the region, and continues to generate record numbers in sales and over \$2 million annually in real estate taxes for the City.

Complementary to MacArthur Center is the continued success of the Waterside Festival Marketplace. Waterside, the first redevelopment project on the downtown waterfront in 1983, has enjoyed one of the most successful years to date. The complex has shifted its emphasis to restaurant and entertainment venues and is currently 100% leased.

The Norfolk Campus of **Tidewater Community College** downtown houses classrooms, faculty offices, conference centers, and computer laboratories. This campus offers 11 academic programs and has served over 6,926 full-time students. To complement our region's \$13.2 billion retail market, a new program for Retail Operations in partnership



with Retail Alliance has been added to the academics program.

The newly renovated Loews Theatre at the Tidewater Community College was renamed the Jeanne and George Roper Performing Arts Center and adds another arts and cultural institution to the Norfolk entertainment and theatre district. This district, including the Harrison Opera House, Chrysler Hall, Chrysler Museum, Wells Theatre, and the NorVa, strengthens the City's appeal as the arts and cultural leader in Hampton Roads. In a study released by H. Blount Hunter in March 2001, "Fiscal Impact of the Arts in Downtown," approximately 450,000 patrons visited and spent in excess of \$2.5 million in retail and \$5.5 million in dining while attending arts events.



Nauticus, The National Maritime Center, a 120,000-square-foot, multi-level maritime showcase, features hands-on exhibits including computer and video interactives, commerce and military-related displays, and exotic aquaria. The USS Wisconsin, the last-built and biggest of the World War II-era battleships, is berthed adjacent to Nauticus as a permanent downtown exhibit.

In 2002, the City invested \$2.1 million in its burgeoning cruise ship business with the expansion of the Nauticus International Pier that has accommodated some of the largest ships in the world, including the 894' *Carnival Triumph* and is quickly becoming a major East Coast port-of-call and departure point. Homeport operations have attracted nearly 16,000 passengers, with seven more homeport calls scheduled for October 2002. More than 30 cruise ships are expected to call on Norfolk in 2003.

The City celebrated the completion of the Pier Point Condominiums offering 72 luxury units selling between \$300,000 to \$500,000 each. As a result of the revitalization of downtown and other neighborhoods throughout the City, property values in the City have experienced

their best year since 1991, with assessments growing from \$8.5 billion in fiscal year 2002 to nearly \$8.6 billion projected for fiscal year 2003. Downtown assessments increased to \$738 million from \$687 million in fiscal year 2001, a 7% increase in one year.

Hotel Development

Norfolk led the nation in the first and second quarters of 2002 for occupancy growth. In the first quarter, Norfolk showed an increase of 9.3% while nationally, hotel occupancy averaged 5.5%. The year-to-date figures released by the Norfolk Convention and Visitors Bureau for June 2002 showed a 6.3% occupancy growth rate, 36,794 additional room nights and 11, 211 in additional attractions attendance.

The downtown hotel market offers a wide variety of hotel products to accommodate business travelers, convention guests, and tourists. The current downtown market consists of the Waterside Marriott Convention Center, Sheraton Waterside, Clarion James Madison, Radisson Hotel, and the Tazewell with a total of 1,377 rooms. The City also celebrated the opening of a 140-room Courtyard Marriott, located adjacent to the MacArthur Center, representing a \$16 million investment.

Two other major hotel projects were recently completed in the Military Highway/Northampton Boulevard corridors. The construction of Holiday Inn & Suites, located at the Lake Wright Executive Center, contains 146-rooms and is experiencing over 80% occupancy rate in its first year of operation. The Lake Wright Convention Center was also redeveloped into a Quality Inn and Sleep Inn with several convention and meeting room facilities.

Neighborhood and Community Revitalization

One of the City's core initiatives, and part of the economic development plan, is neighborhood revitalization. By increasing diversified housing opportunities, the City will increase the diversity of its citizenry and expand the tax base. The City's goal for neighborhood and commercial development not only provides an environment that increases

private sector investment, retail sales generation but also reinstates Norfolk's vision as a desirable community in which to live, work and play.

Phase I of the Old Dominion University (ODU), Village Project is currently under construction. The 75-acre project includes construction of an 8,600 seat Ted Constant Convocation Center, mixed-use office developments for faculty and research and development, and retail and garden style apartments. ODU continues to gain a national reputation as a major research university. The total economic impact of the University exceeds \$600 million annually.

The \$47 million, 8,500 seat, Ted Constance Convocation Center which opened October 25, 2002, is served by a 1,400 space parking garage. In addition, Old Dominion is the site for a \$14 million transit system using Magnetic Levitation (Maglev) Technology to go on line in the fall of 2002. Partners of the Maglev project include ODU, American Maglev Technology, the Commonwealth of Virginia and Dominion Resources/Virginia Power.



Construction on a cluster of three-story student housing buildings behind the Convocation Center is expected to be complete by fall 2003. The first phase upon completion will house 500 students with the remaining 500 students' units complete by fall 2003. The total project estimate is at \$40 million.

Business, Industry and Commerce

The City of Norfolk continues to benefit from the expansion of the **Ford Motor Company** plant located in the South Norfolk section of the City. Ford Motor Company is one of the largest employers in the City and has been a corporate citizen since 1925. This \$375 million dollar investment employs 2,350 employees and produces 220,000 vehicles per year.

The commercial corridor revitalization continues outside the City's downtown in the City's various industrial and office parks that offer more than 800 acres. Ninety-five percent of the developable acreage has been sold in the Norfolk Commerce Park which houses approximately 150 firms with an estimated 3,000 employees. Dataline, an information technology company assisting EDS in the \$6 billion Navy/Marine Corp Internet project moved into the park this year. The City-owned Norfolk Industrial Park, the largest industrial park in Hampton Roads, is located east of the downtown area on 375 acres containing approximately 120 firms with an estimated 6,000 employees. Blackhawk Industries, manufacturer of special operations equipment for the military and law enforcement, invested \$2.25 million in an existing 48,000 square foot facility. The new headquarters and warehouse opened on July 1, 2002.

The City purchased a 31.0-acre track of land and rezoned the property from multi-family to Business/Commercial uses to create the Central Business Park. The new business park, centrally located to the port, airport, and interstate, can accommodate approximately 325,000 square feet of flex space. The infrastructure is complete and land is ready for sale.

The Lake Wright Executive Center added two new office buildings to the park. Relocation of the Zim Israel Navigation Co. Ltd. Headquarters, the ninth largest shipping company in the world, to Norfolk from the New York/New Jersey area was completed in September 2001. This 40,000 square foot build-to-suit opportunity accommodated the relocation of the headquarters, and the company employs over 235 people.

Marine Hydraulics, a firm specializing in ship repair of the Navy's largest ships, is purchasing six acres including a 1,400 foot pier in the Lamberts Point area with a total capital investment of \$15 million. Metro Machine's SPEEDE Shipyard's new ship encapsulation repair facility in the Berkley area of the City will employ 120 new workers and cost \$60 million. This cutting-edge environmental technology is capable of revolutionizing ship painting techniques, eliminating pollutants and emissions throughout the world's port cities.

Military

The presence and role of the military in Norfolk continues to have a significant and stabilizing impact on the local economy. The City has steadily grown to be the home of the world's largest naval complex, with headquarters for Commander, of U.S. Atlantic Command, NATO's Supreme Allied Commander Atlantic, Commander in Chief, U.S. Atlantic Fleet and other major naval commands. A Navy/City Partners Committee was instituted to collaborate on housing, economic development, family support and other mutual interests. In an effort to show Norfolk's continued support of the military, the City Manager serves on the Secretary of the Navy Facility Management Panel to study and recommend improvements for the Navy and Marine Corps base relations throughout the nation.



The 2001 estimate of the Navy's direct economic impact on the region of \$13 billion was comprised of a total annual payroll of \$5.1 billion and spending on goods and services of \$7.9 billion. Active duty personnel in Hampton Roads increased to 82,896 in 2001 with 60% assigned to Norfolk. The City expects to continue as a center of activity for the U.S. Navy.

Hampton Roads is the largest center of Coast Guard operations in the world with the Atlantic Area Command and Maritime Defense Zone Atlantic in Portsmouth and its Maintenance & Logistic Command Atlantic headquarters in downtown Norfolk.

Virginia Port Authority

In 1981, the Virginia General Assembly passed landmark legislation designed to unify the ports in southeastern Virginia, Hampton Roads harbor under a single agency, the Virginia Port Authority, with a single operating company, Virginia International Terminals, Inc. The Port of Virginia, one of the world's largest natural deep water harbors, is a significant factor in Norfolk's economy. Norfolk is ideally located for international transportation and

maritime commerce in the middle of the U. S. Atlantic coast and serves as a gateway between world commerce centers and the industrial heartland of the United States. The Port of Virginia consists of Virginia's state-owned port system including Newport News Marine Terminal, Portsmouth Marine Terminal and Virginia Inland Port in Warren County, in addition to its mainstay Norfolk International Terminals. The Port Authority continued its growth in 2002 and is currently the second largest general cargo port on the U.S. East Coast. More than 11.5 million tons of cargo was shipped across the docks at the region's three main marine cargo terminals in 2002.

Education

Available within the City are a wide variety of educational facilities including public elementary, middle and high schools, private and parochial schools, two universities, one college, one community college and a medical school.

Public Schools. The visionary statement for the Norfolk Public Schools is "to become a world-class system by advancing individual and organizational excellence supported by a community of learners. All staff, parents and community members will demonstrate high expectations for themselves and each child served." The Norfolk Public Schools' approach to education combines innovative programs with an emphasis on reading, mathematics and the sciences. A low pupil-teacher ratio with class sizes well below the national average has contributed to the system's learning foundation. In addition to strong instruction in the basics, students can count on individualized help to meet their special needs.

Norfolk offers innovative public school programs, which include Early Childhood Education, a unique, comprehensive program for three and four-year-olds and their parents located in the public housing community of Diggs Town, at the Park Place/Colonial Place Community Center and at Ocean Air Elementary. The school system and the City have successfully worked together to accommodate the school's Early Childhood Program in three recreation centers and to establish a partnership between schools and libraries that will result in extended learning and homework programs for middle and high school students.

The City is home to the Governor's Magnet School for the Arts, Virginia's only magnet school for the arts, which offers classes in performing or visual arts to approximately 300 talented students from six cities and two counties. The school system also has a program for gifted science students that enables them to study at Eastern Virginia Medical School.

Higher Education. The City is home to several institutions of higher learning. Old Dominion University (ODU) was founded in 1930 in Norfolk as a branch of the College of William and Mary and became an independent institution in 1962. The four-year, state-supported university has full and part-time enrollment of approximately 19,627 students.

Founded in 1935, Norfolk State University (NSU) is Virginia's largest, and one of the country's five largest historically African American institutions of higher learning. The full and part-time enrollment approximates 6,721 students.

Virginia Wesleyan College was founded in 1966 and is a private, coeducational, four-year liberal arts college on the Norfolk-Virginia Beach line. There were approximately 1,412 students enrolled full and part-time during the academic year.

Tidewater Community College (TCC), established in 1968 with campuses in Norfolk, Virginia Beach, Chesapeake and Portsmouth, offers its programs through its network of convenient Hampton Roads locations, including strategically placed off-campus sites at area high schools, hospitals and military bases providing Hampton Roads residents with a flexible, convenient and practical educational resource.

Eastern Virginia Medical School is one of three medical schools in Virginia and is Hampton Roads' first medical school. This Norfolk-based facility is governed by the Medical College of Hampton Roads. Students use 20 area hospitals and clinics for practical training. The school relies on private funding support from area cities and limited state support to fulfill its mission. Affiliates include the Jones Institute for Reproductive Medicine, the Leonard R. Strelitz Diabetes Institutes, the Center for Pediatric Research, and

the Virginia Prostate Center. Not only has EVMS made it possible for area residents to obtain treatment locally, it has achieved a reputation which brings patients for services in such areas as endocrinology, geriatrics, pediatrics, oncology, otolaryngology and reproductive medicine and infertility from other areas of the country. The Jones Institute for Reproductive Medicine was the first in-vitro fertilization clinic in the United States. Currently, EVMS is more than halfway through a \$62 million capital campaign that will create centers for biomedical research; general medical education and information technology; and aging and human development. EVMS has forged cooperative educational and research programs with Norfolk State University and Old Dominion University, as well as the College of William and Mary in Williamsburg, Virginia—partnerships which EVMS officials consider among its most distinctive characteristics.

Medical Facilities

There are, within the City of Norfolk, a total of five general, acute care and specialized hospitals with a combined licensed bed total in excess of 1,750. In addition, the City is home to one of three medical schools within the State of Virginia, the Eastern Virginia Medical School. The medical school's full-time enrollment was approximately 645 for the academic year.

LONG-TERM FINANCIAL PLANNING AND MAJOR INITIATIVES

The City is recognized as a city of plans--plans made and plans realized. As part of that planning process, the city council established the five broad basic priorities of: Community Building; Economic Development; Education; Public Accountability; Public Safety; and Regional Partnerships.

Major Initiatives/Long-Term Financial Planning

The City's Broad Creek Renaissance area encompasses a two-square mile area located to the east of downtown. Through a \$35 million Hope VI grant from HUD, NRHA will demolish

Norfolk's two oldest public housing developments. They will be replaced with a mix of single and multi family housing, some publicly subsidized, and small commercial use. Other pieces of this redevelopment effort include street reconfiguration, home-ownership programs, and recreational facilities.

The East Ocean View residential redevelopment known as East Beach will begin construction of its first phase in winter 2002. Privately invested infrastructure is estimated to be \$18 million with 700 housing units with prices ranging from \$200,000 to \$1 million for all phases. The completed construction is anticipated within 10 years adding approximately \$250 million to the tax base.

The City completed the acquisition of a 31-acre trailer park located on Pretty Lake. The City negotiated a land disposition agreement with a developer for a new upscale 230 condominium development on the Pretty Lake waterfront with an anticipated value of over \$50 million.

Cash Management Policies And Practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, commercial paper, corporate bonds, and the State Treasurer's investment pool. The maturities of the investments range from 30 days to 10 years, with an average maturity of 12 months. The average return on cash temporarily idle was 3 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

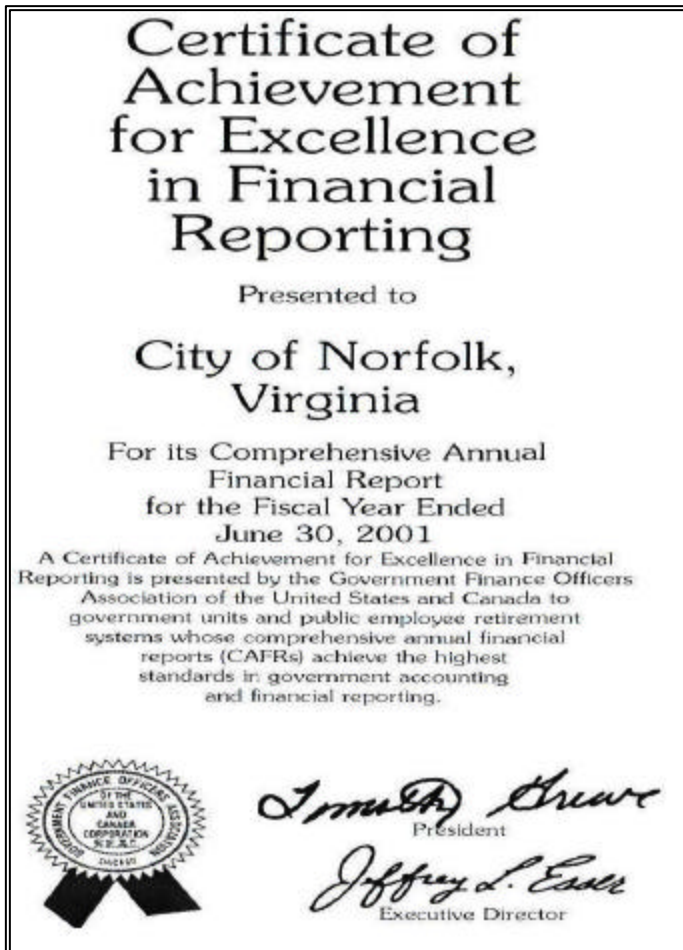
The pension trust fund experienced a loss of 7.7 percent. This figure represents the total rate of return for the fund, which consists of interest income, dividend income and any appreciation or depreciation in the fair market value of the securities held by the pension trust fund. The negative 7.7 percent total return is primarily attributable to the continuing market correction under way in the U.S. equity markets since 2000.

Risk Management. A City self-insurance program was established pursuant to an ordinance adopted by City Council on July 11, 1978. The program includes an identified retention for various risks reflecting the liability the City is willing to assume based on past loss experience and projections of future losses. The program includes general and public officials liability; vehicle liability; workers' compensation; and unemployment compensation. Protection is also provided by fidelity bonds and insurance, as well as various purchased insurance policies for selected property and liability risks.

The City appropriates funds annually for the payment of claims liabilities, property losses, and any related expenses covered by its self-insurance plans and purchased insurance policies. In addition, \$1,940,000 of general fund equity has been designated to provide for any unforeseen future claims liabilities and related expenses that may not be fully covered by purchased insurance or annual budget appropriations. At year-end, an actuarial projection was performed to determine the potential amount of all outstanding claims liabilities and loss adjustment expenses arising from incidents occurring on or before June 30, 2002, which resulted in the City recording an estimated total liability of \$16,581,654 as of June 30, 2002.

Pension and other post-employment benefits. The City sponsors a single-employer defined benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary.

The City also provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there are 524 retired employees receiving these benefits, which are financed on a pay-as-you-go basis.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Norfolk for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. This was the 16th consecutive year the City received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Honorable City Council

October 11, 2002

The preparation of this report would not have been possible without the efficient and dedicated services of the Department of Finance, especially the City Controller Bureau staff, and the enterprise controllers and fund accountants of various City activities. We would like to express our appreciation to all members who assisted in and contributed to its preparation. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Norfolk's finances.

Respectfully submitted,



Regina V. K. Williams
City Manager



Steven G. de Mik
Director of Finance



Independent Auditors' Report on Financial Statements And Supplementary Schedules

The Honorable Members of the City Council
City of Norfolk, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Norfolk, Virginia as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Norfolk Redevelopment and Housing Authority (NRHA), which represent 10.2% and 7.8%, respectively, of the assets and revenues of the City of Norfolk, Virginia. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for NRHA in the component unit columns, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Norfolk, Virginia, as of June 30, 2002, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement Number 34 during the year ended June 30, 2002.

The Management's Discussion and Analysis, the schedule of funding progress on page 88, and the general fund budgetary comparison on pages 90-99 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Norfolk, Virginia. The introductory section, statistical section, combining and individual non-major fund financial statements and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the accompanying schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
October 11, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

The management of the City (the City) provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. As readers, you are encouraged to read this discussion and analysis in conjunction with the transmittal letter and City's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financials statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include Water Utility, Wastewater Utility and Parking System enterprise activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate component units for which the City is financially accountable: Norfolk Public Schools (School Board), Norfolk Redevelopment and Housing Authority (NRHA), and the Norfolk Community Services Board (CSB). Financial information for these component units is reported separately from the financial information presented for the primary government.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Fund financial statements - The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements and the fund financial statements is included as part of the basic financial statements.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and capital projects fund, both of which are considered major funds. All other governmental funds are presented in aggregate. Individual fund data for each of the nonmajor funds are presented separately in the "Other Supplementary Information" section of this report.

The City adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the required supplementary information section of this document.

Proprietary funds provide services for which the City charges internal and external customers a fee. The City has two types of proprietary funds, enterprise and internal service. The enterprise funds of the City are used to report the same functions as the business-type activities in the government-wide financial statements. The Water Utility, Wastewater Utility, and Parking enterprise funds are presented separately in the both the government-wide financial statements and the fund financial statements and are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments on a

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

cost reimbursement basis. The City has two internal service funds, Fleet Maintenance and Storehouse operations. Because internal service funds are mostly governmental in nature, they are included within the governmental activities in the government-wide financial statements. Both internal services are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are included in the "Other Supplementary Information" section of this document.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds for City include the City's pension trust fund, the Commonwealth of Virginia agency fund and an other miscellaneous agency fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds are presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements are included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Supplementary Information section presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to employees and is in addition to the basic financial statements and accompanying notes.

Separate combining financial statements for non-major governmental funds and internal service funds are also included in the "Other Supplementary Section" of this document.

Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities by \$906,263,195 at June 30.

By far, the largest portion of the City's net assets is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2002, the City reported \$665,877,008 in net assets invested in capital assets net of related debt.

External restrictions of the City's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$120,587,349 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Total net assets in excess of liabilities at June 30 for the governmental activities and business-type activities were \$645,262,372 and \$261,000,823.

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Current and other assets	\$ 173,146,810	\$ 90,452,237	\$ 264,865,803
Capital assets	900,487,646	651,407,222	1,551,894,868
Total Assets	1,073,634,456	741,859,459	1,815,493,915
Long-term liabilities outstanding	398,572,058	467,608,024	866,180,082
Other liabilities	29,800,026	13,250,612	43,050,638
Total Liabilities	428,372,084	480,858,636	909,230,720
Net assets:			
Invested in capital assets, net of related debt	537,356,389	124,356,071	665,877,008
Restricted	72,937,699	46,861,139	119,798,838
Unrestricted	34,968,284	89,783,613	121,854,105
Total net assets	\$ 645,262,372	\$ 261,000,823	\$ 906,263,195

For governmental activities, net assets decreased by \$28,495,424 during the current fiscal year. This reduction is largely attributed to the increase in depreciation expense of \$34,555,628 for capital outlay. Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense thus allocating those expenditures over the life of the assets.

For Business-type activities, net assets increased by \$9,042,594 during the fiscal year. Of this amount, \$2,455,634, \$2,457,544 and \$4,129,416 are attributed to Water Utility, Wastewater Utility and Parking, respectively.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

The following represents the changes in net assets for both governmental and business type activities for the fiscal year ended June 30, 2002:

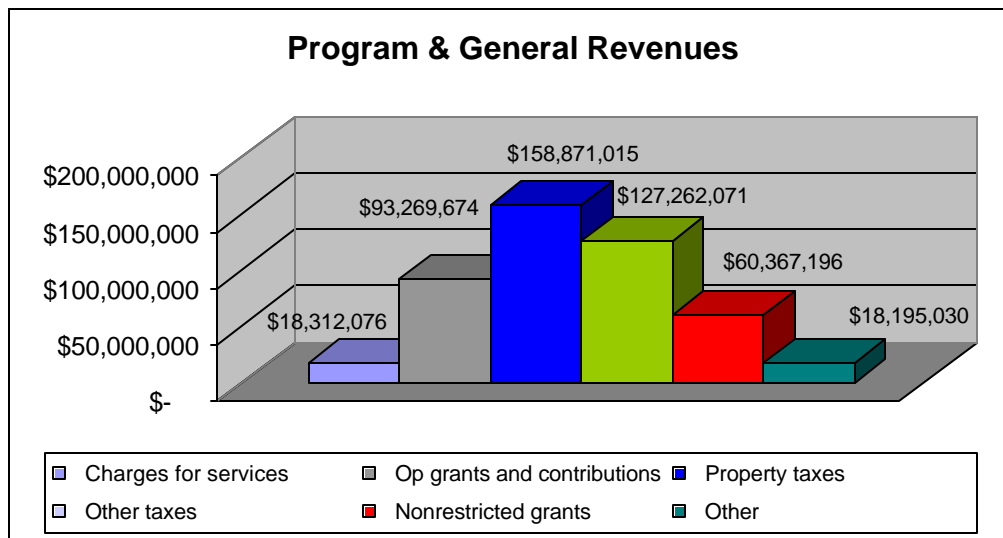
	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
REVENUES:			
Program revenues:			
Charges for services	\$ 18,312,076	\$ 91,061,917	\$ 109,373,993
Operating grants and contributions	93,269,674	-	93,269,674
Capital grants and contributions	-	354,587	354,587
General revenues:			
Property taxes	158,871,015	-	158,871,015
Other taxes	127,262,071		127,262,071
Grants and contributions not			
restricted for specific programs	60,367,196	-	60,367,196
Other	18,195,030	5,015,107	23,210,137
Total revenues	476,277,062	96,431,611	572,708,673
EXPENSES:			
General government	48,062,345	-	48,062,345
Judicial administration	8,987,144	-	8,987,144
Public safety	122,252,304	-	114,847,101
Public works	96,894,090	-	96,894,090
Health and public assistance	60,234,233	-	67,639,435
Culture and recreation	46,945,417	-	46,945,417
Community development	17,218,412	-	17,218,412
Education	83,882,544	-	83,882,544
Interest on long-term debt	18,536,433	-	18,536,433
Intergovernmental	7,932,115	-	7,932,115
Business-type activities			
Water Utility		53,711,573	53,711,573
Wastewater Utility		11,379,135	11,379,135
Parking		14,298,309	14,298,308
Total governmental expenses	510,945,036	79,389,017	590,334,053
Increase (decrease) in net assets			
before transfers	(34,667,974)	17,042,594	(17,625,380)
Transfers	6,172,550	(8,000,000)	(1,827,450)
Increase (decrease) in net assets	(28,495,424)	9,042,594	(19,452,830)
Net assets beginning of year	673,757,796	251,958,229	925,716,025
Net assets ending of year	\$ 645,262,372	\$ 261,000,823	\$ 906,263,195

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Governmental Activities

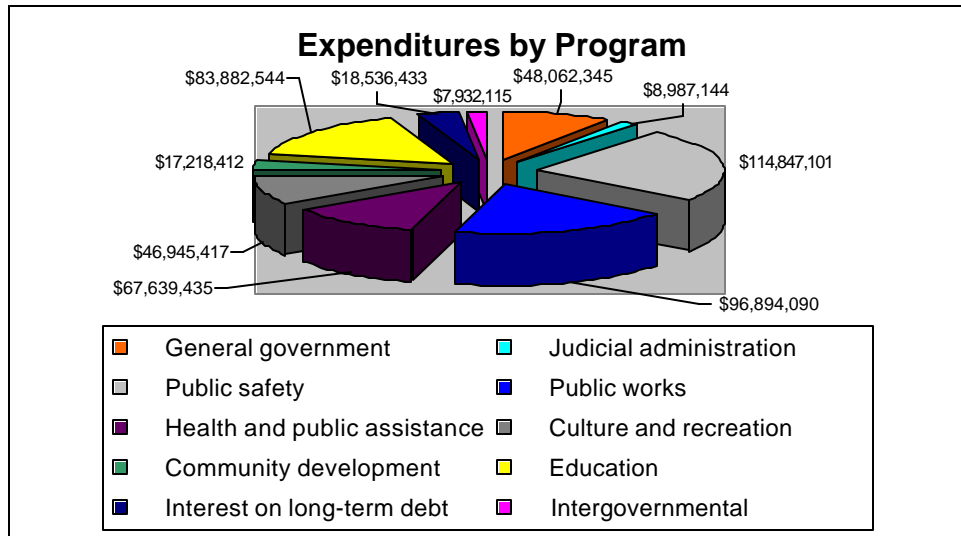
Property taxes and other tax revenues comprise \$286,133,086 or 59 percent of total governmental revenues.

Operating grants and contributions for governmental activities ended the fiscal year at \$93,269,674; mostly as a result of aggressive grant application strategies undertaken by the City during the current fiscal year supporting various governmental functions. Grants and contributions not restricted for specific programs represents intergovernmental grants and contributions from State and federal agencies. At fiscal year end, the City reported \$60,367,196 in grants and contributions not restricted for specific programs.



On a government-wide basis, the City expensed \$512,772,486 on governmental programs and services. Public safety expenses were \$122,252,304 or 24 percent of total expenses, largely attributed to management's continuing commitment to preserve the lives and property of the City's residents. The local contribution to the City's public education program was \$83,882,544 or 16 percent of governmental expenses.

**CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002**



The component units of the City reported total net assets of \$185,983,468 of which (\$10,242,772) is unrestricted and available for future appropriation. The change in net assets for the City's component units at June 30, was \$5,149,496. Additional detailed information on the City's component units can be found in the "Component Units" section of this document.

Business-type Activities

Business type activities increased the City's net assets by \$9,042,594.

Charges for services for the Water Utility, Wastewater Utility, and Parking activities for the year ended were \$59,318,470, \$13,388,934 and \$18,354,513, respectively.

Total expenses (exclusive of transfers) for the Water Utility, Wastewater Utility, and Parking activities for the year ended were \$53,711,573, \$11,379,135 and \$14,298,309, respectively.

Water Utility:

- On December 17, 2001, the City entered into an agreement to sell up to 10 million gallons of raw water per day to the City of Virginia Beach at a rate of \$0.10 per million gallons per day for temporary drought relief. This sale increased the Water Utility's current year's revenues by approximately \$600,000.
- During the year, the City also received a \$500,000 reimbursement from the Federal Emergency Management Administration (FEMA) for recovery of damages to the activity's system assets in the western reservoir system as a result of Hurricane Floyd in fiscal year 2000.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Wastewater Utility:

- During the year, the City, the Hampton Roads Sanitation District (HRSD) and the Commonwealth of Virginia entered into a special order of consent regarding the City's sanitation sewage collection system. Under the agreement the City agreed to spend not less than \$13.5 million on specified projects and conduct a comprehensive sanitary sewer evaluation survey of its system addressing operations and maintenance activities as well prioritizing areas where sanitary sewer improvements are needed. The results of this study will be a basis for a subsequent negotiated order of consent.
- Despite wastewater utility rate increases imposed in the 2002 fiscal year, the cash disbursements from the wastewater operation exceeded collections. Despite additional rate increases in the 2003 fiscal year, the operation is expected to continue lag behind collections. As such, the City will in the fiscal year 2004 budget planning process consider necessary actions to correct the financial position of the activity.

Parking

- At year-end, Parking reported a change in net assets of \$4.1 million or 11% mostly attributed to an increase in short-term, recreational and metered parking rates as a result of the establishment of three separate tiers and rate structures. The tier was designed to charge more for parking near the central business district. An increase in special event revenues as well as revenues generated as a result of an additional 595 spaces at the MacArthur Garage also contributed to the increase.
- Expenses ended the fiscal year under budget primarily due to maintenance scheduling of special project expenses and bond interest expense savings resulting from declining variable interest rates.

Financial Analysis of the Government's Funds

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – the focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported combined ending fund balances of \$128,255,016, of which \$72,937,699 is reserved and the remaining \$55,317,317 is available for spending at the government's discretion.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

The City's primary governmental fund is its general fund. As a matter of policy, the City in its general fund designates or earmarks a portion of its unreserved fund balance (\$30,765,379 at June 30, 2002) equal to five percent of the general government's and School Board's annual operating budgets as a minimum amount each year that will remain in fund balance. In addition, the City designated \$6.6 million of its fund balance for future expenditures related to a potential general economic downturn and for its self-insured worker's compensation and general liability programs. Amounts in excess of these policy designations have been primarily designated for future expenditures contained in the fiscal year 2003 adopted budget.

The \$4,743,730 reduction in the City's general fund's fund balance represents a planned drawdown of its fund balance from non-recurring revenue for one-time capital expenditures.

On the budgetary basis of accounting, the City ended the fiscal year with revenues slightly below projection by \$719,384 (less than one tenth of one percent of the total.) Included in budgetary revenues was \$16,190,000 appropriated from the general fund balance. Total expenditures were less than appropriations by \$9,600,988 mostly attributed to prudent proactive measures taken by the City in lieu of the uncertainty of State revenues and unstable economic conditions.

General fund financial and budgetary highlights of the 2002 fiscal year include:

- As a result of a strong housing and commercial property markets, general property tax revenues and state reimbursements of personal property taxes exceeded budgetary projections by \$2.4 million
- Other Local tax collections exceeded budgetary projections by \$3.4 million
- Although sales tax revenues were below budgetary projections, sales tax collections exceeded prior years by 1%
- Hotel/Motel and Restaurant and prepared meals taxes exceeded budgetary projections by \$867,567
- Revenues from interest earnings under performed budgetary expectations by \$1.2 million primarily a result of the low interest rate environment in the 2002 fiscal year
- Reduced revenues from the State for public assistance grants and education, resulting from budgetary reductions at the state, were offset by local spending reductions
- The uncertainty of State revenues and concern over general economic conditions, forced the City to take prudent proactive measures to control spending and as a result expenditures were \$9.6 million less than appropriations

Supplemental appropriations or amendments of the total 2002 general fund budget were:

- \$534,828 was appropriated from more than anticipated funds received from the State for street maintenance projects;
- \$1,560,000 was appropriated from the risk management designation of the general fund balance for the payment of two large worker's compensation medical claims; and
- \$100,000 was appropriated to fund the increase of the capital improvement program budget for commercial area improvements.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Proprietary funds - the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Wastewater, and Parking funds at year-end amounted to \$64,687,980, \$24,334,789 and \$760,844 respectively. The growth or change in net assets for Water, Wastewater, and Parking funds was \$2,455,634, \$2,457,544, and \$4,129,416 respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets - the City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, amounts to \$1,551,894,868. The investment in capital assets includes land, buildings, improvements, infrastructure (streets, roads, bridges, highways, etc) machinery, and equipment.

Infrastructure assets represent \$505,613,661 or 56 percent of total general capital assets, net of accumulated depreciation. Streets, bridges, and waterfront structures comprise the majority of the infrastructure with net valuation amounts of \$357,030,989, \$54,547,112, and \$53,283,392 respectively.

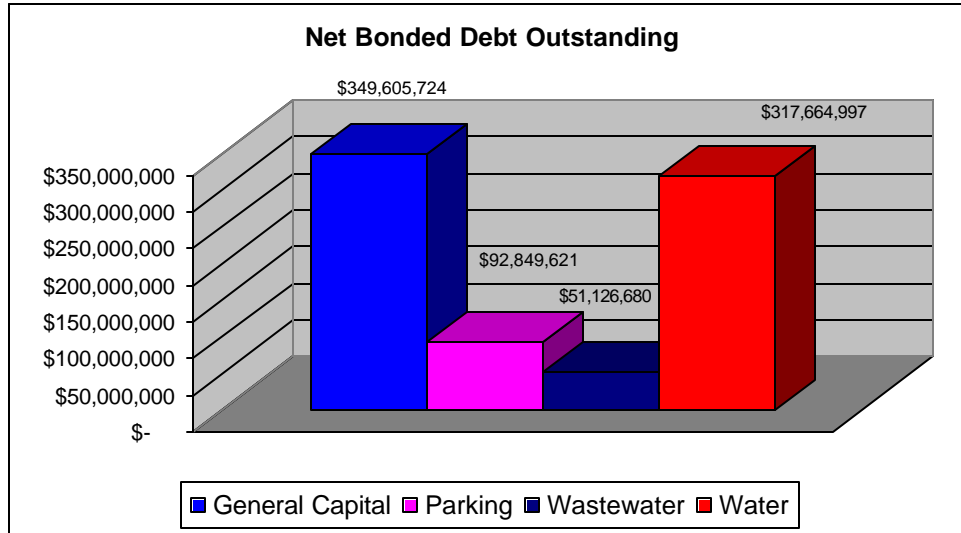
Major capital asset events during the current fiscal year included the following:

- Completion of the Africa Exhibit and substantial completion of the entrance pavilion to the Virginia Zoo;
- Completion of the 150 Main Street Garage;
- Beginning of architectural and design efforts for the construction of Norview High School;
- Near completion of property acquisition efforts for the development of the East Beach Neighborhood project; and
- Completion of the expansion of the Nauticus International Pier accommodating some of the largest cruise ships in the world.

Long-term debt - at June 30, the City (including the enterprise funds) had total bonded debt outstanding of \$811,247,022. Of this amount, \$460,065,192 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

A summary of the City's outstanding bonded debt is as follows:



The City's total outstanding debt decreased \$3,015,544 from \$814,262,566 of the prior fiscal year. During the year, \$7,955,000 in new general obligations bonds, and \$35,000,000 in new water revenue bonds were issued. The City refunded some of its existing debt to take advantage of favorable interest rates. Of the total bonds issued during the year, \$74,200,000 in general obligation bonds were refunded. Future debt payments are expected to decrease by \$2,849,445 as a result of the refunding. The City also defeased \$2,705,000 in parking revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation of \$888,206,378 is significantly higher than the City's outstanding general obligation debt.

The City maintains the following ratings on its bonding programs:

Bonding Program	Fitch	Standard and Poor's	Moody's
General Obligation	AA	AA	A1
Water Revenue Bonds	AA	AA-	A1

Currently, the Parking Revenue Bond program does not maintain underlying bond ratings.

Other Economic Factors and Next Year's Budget

Economic Factors – Currently the Commonwealth of Virginia is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of City services to maintain a fiscally sound budget. Approximately 40 percent of the City's revenues come from the state.

CITY OF NORFOLK, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

Despite the poor outlook of the State's budget over the next couple of years, the City's guiding principles for the upcoming fiscal year is to continue building and maintaining strong neighborhoods, protect and develop the young through education, provide good social and cultural conditions that support healthy families, remain a safe and clean city, and invest in opportunities that promote economic growth and financial capacity.

The City's fiscal year 2003 general fund budget is \$631,989,100 representing a growth of 2.9 percent over the previous fiscal year. In keeping with the theme of the 2003 budget message, *Promises Made, Promises Kept*, the following areas highlight City Council's priorities and accomplishments:

- The City provided an increase of its local contribution to its public education system of \$5 million over the prior fiscal year;
- The property tax rate for Norfolk residents was not increased for the fifth consecutive year;
- \$16,462,400 in capital funds were allocated for the middle school technology initiative, to address school concerns on the southside of the City and to continue with plans to construct a new Norview High School;
- Neighborhoods and Leisure Services received millions in ongoing funds for programs and parks;
- The establishment of a \$1 million strategic housing initiative supporting the City Council's commitment to "housing first" through the City's *Come Home to Norfolk Now* initiative;
- Paying off more in debt than issued in the same fiscal year; and
- Salary increases to employees and continued progress toward a pay system based on skills and competencies.

Fiscal year 2003 tax rate and fee changes include:

- Increases of one percent in both the restaurant and prepared food tax rate and in the hotel-motel tax rate dedicated to public amenities infrastructure;
- The Emergency 911 tax rate was increased \$.20 per month to support expenditures of the E-911 call center;
- New fees for courthouse safety, DNA charges and jail processing were established; and
- The wastewater rate changed from \$1.53 to \$1.67 per 100 cubic feet based on residential and commercial water consumption.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Director of Finance, 810 Union Street, Suite 600, Norfolk Virginia, 23510.



BASIC FINANCIAL STATEMENTS



CITY OF NORFOLK, VIRGINIA

Exhibit 1

**Statement of Net Assets
June 30, 2002**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 119,772,348	\$ 53,866,966	\$ 173,639,314	\$ 66,915,751
Cash held in escrow with fiscal agent	-	1,019,107	1,019,107	6,100
Restricted cash held with fiscal agent	-	8,585,447	8,585,447	2,323,922
Investments	270,635	1,082,561	1,353,196	8,752,538
Receivables (net)	26,199,164	9,511,768	35,710,932	20,986,424
Unbilled accounts	-	1,742,973	1,742,973	-
Accrued investment income	-	166,703	166,703	-
Internal balances	1,812,837	(1,676,049)	136,788	-
Due from other governments	21,209,861	-	21,209,861	13,372,660
Due from other primary governments	-	-	-	304,620
Due from other agencies	-	-	-	1,052,298
Inventories	1,581,965	1,427,128	3,009,093	1,547,938
Prepaid items	-	-	-	293,831
Other assets	2,300,000	14,725,633	17,025,633	48,244,338
Capital assets, net (See Note 1)	900,487,646	651,407,222	1,551,894,868	153,457,873
Total assets	1,073,634,456	741,859,459	1,815,493,915	317,258,293
LIABILITIES				
Vouchers/Accounts payable	11,244,103	2,700,079	13,944,182	7,048,624
Employees withholdings	130,216	-	130,216	1,688,709
Contract retainage	669,744	1,249,242	1,918,986	482,246
Accrued interest	4,643,396	3,866,604	8,510,000	1,268,503
Accrued payroll	3,520,251	317,747	3,837,998	22,072,051
Due to other governments	-	-	-	605,238
Due to other primary gov/component units	647,615	-	647,615	-
Other liabilities	7,592,916	2,683,702	10,276,618	4,236,270
Deferred revenue	1,351,785	-	1,351,785	18,396,936
Liabilities payable from restricted assets	-	2,033,238	2,033,238	6,100
Long-term liabilities (See Note XV) :				
Due within one year	54,433,006	24,430,548	78,863,554	10,277,823
Due in more than one year	344,139,052	443,577,476	787,716,528	65,192,325
Total liabilities	428,372,084	480,858,636	909,230,720	131,274,825
NET ASSETS				
Invested in capital assets, net of related debt	537,356,389	128,520,619	665,877,008	129,451,896
Restricted for:				
Perpetual care	5,581,201	-	5,581,201	-
Capital projects	42,888,880	-	42,888,880	22,682,578
Special revenue	7,443,065	-	7,443,065	-
Other purposes	17,024,553	46,861,139	63,885,692	44,091,766
Unrestricted	34,968,284	85,619,065	120,587,349	(10,242,772)
Total net assets	\$ 645,262,372	\$ 261,000,823	\$ 906,263,195	\$ 185,983,468

CITY OF NORFOLK, VIRGINIA

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2002**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Operating			Primary Government			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government:								
General government	\$ 48,062,345	\$ 108,318	\$ 11,163,732	-	\$ (36,790,295)		\$ (36,790,295)	
Judicial administration	8,987,144	10,269	4,455,776	-	(4,521,098)		(4,521,098)	
Public safety	122,252,304	2,409,976	19,718,147	-	(100,124,181)		(100,124,181)	
Public works	96,894,090	13,896,085	17,774,452	-	(65,223,553)		(65,223,553)	
Health and public assistance	62,061,683	118,675	34,007,719	-	(27,935,289)		(27,935,289)	
Culture and recreation	46,945,417	1,762,903	4,333,644	-	(40,848,870)		(40,848,870)	
Community development	17,218,412	5,850	1,816,204	-	(15,396,358)		(15,396,358)	
Education	83,882,544	-	-	-	(83,882,544)		(83,882,544)	
Interest on long-term debt	18,536,433	-	-	-	(18,536,433)		(18,536,433)	
Intergovernmental	7,932,115	-	-	-	(7,932,115)		(7,932,115)	
Total governmental activities	512,772,486	18,312,076	93,269,674	-	(401,190,736)		(401,190,736)	
Business-type activities:								
Water	53,711,573	59,318,470	-	70,510	-	5,677,407	5,677,407	
Wastewater	11,379,135	13,388,934	-	284,077	-	2,293,876	2,293,876	
Parking facilities	14,298,309	18,354,513	-	-	-	4,056,204	4,056,204	
Total business-type activities	79,389,017	91,061,917	-	354,587	-	12,027,487	12,027,487	
Total primary government	592,161,503	109,373,993	93,269,674	354,587	(401,190,736)	12,027,487	(389,163,249)	
Component units:								
Norfolk Public Schools	\$ 290,358,759	\$ 4,927,740	\$ 193,508,208	\$ 5,537,418				\$ (86,385,393)
NRHA	75,574,853	14,247,426	40,247,505	26,460,483				5,380,561
Community Services Board	16,942,888	3,671,963	12,370,196	-				(900,729)
Total component units	382,876,500	22,847,129	246,125,909	31,997,901				(81,905,561)
General revenues:								
Taxes								
Real estate					158,871,015	-	158,871,015	-
Other					127,262,071	-	127,262,071	-
Interest and investment earnings					5,566,463	940,532	6,506,995	2,081,205
Grants and contributions not restricted to specific programs					60,367,196	-	60,367,196	-
Miscellaneous					12,003,121	3,659,543	15,662,664	721,245
Proceeds from gain (loss) on sale of assets					625,446	415,032	1,040,478	370,063
Local government					-	-	-	83,882,544
Transfers					8,000,000	(8,000,000)	-	-
Total general revenues, special items, and transfers					372,695,312	(2,984,893)	369,710,419	87,055,057
Change in net assets					(28,495,424)	9,042,594	(19,452,830)	5,149,496
Net assets - beginning					658,735,039	251,958,229	910,693,268	180,833,972
Adjustment to beginning net assets					15,022,757	-	15,022,757	-
Net assets - ending					645,262,372	261,000,823	906,263,195	185,983,468

CITY OF NORFOLK, VIRGINIA
Balance Sheet - Governmental Funds
June 30, 2002

Exhibit A-1

	Major Funds		Non major	Total
	General	Capital	Governmental	Governmental
	Fund	Projects	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 60,604,835	\$ 46,258,853	\$ 10,703,492	\$ 117,567,180
Investments	270,635		-	270,635
Receivables, net				
Taxes	18,996,197	-	-	18,996,197
Accounts	1,620,054	30,988	4,605,227	6,256,269
Notes	799,067	-	-	799,067
Accrued investment income	37,285	-	-	37,285
Due from other funds	1,968,535	662	420,315	2,389,512
Receivable from other governments	15,138,607	-	6,071,254	21,209,861
Advance to parking fund	2,300,000	-	-	2,300,000
Total assets	<u>\$ 101,735,215</u>	<u>\$ 46,290,503</u>	<u>\$ 21,800,288</u>	<u>\$ 169,826,006</u>
LIABILITIES				
Vouchers/Accounts payable	6,263,823	3,725,061	1,104,582	11,093,466
Employee withholdings	130,216	-	-	130,216
Contract retainage	-	404,327	265,417	669,744
Accrued payroll	3,378,370	-	141,881	3,520,251
Due to other funds	414,705	1,772	160,193	576,670
Due to component unit	351	301,612	345,652	647,615
Deferred revenue	16,047,737	-	1,351,785	17,399,522
Other liabilities	7,533,506	-	-	7,533,506
Total liabilities	<u>33,768,708</u>	<u>4,432,772</u>	<u>3,369,510</u>	<u>41,570,990</u>
FUND BALANCES				
Reserved for:				
Encumbrances	10,989,655	27,137,354	2,468,691	40,595,700
Perpetual care	-	-	5,581,201	5,581,201
Capital projects	-	13,711,085	1,683,676	15,394,761
Other	3,922,972	-	7,443,065	11,366,037
Unreserved:				
Designated for:				
Risk Management	1,940,000	-	-	1,940,000
Health Insurance	1,000,000	-	-	1,000,000
Fiscal year appropriations	7,339,430	-	-	7,339,430
Future expenditures	8,759,071	-	-	8,759,071
Housing Initiative	1,000,000	-	-	1,000,000
Middle School Initiative	2,250,000	-	-	2,250,000
Undesignated	30,765,379	1,009,292	1,254,145	33,028,816
Total fund balances	<u>67,966,507</u>	<u>41,857,731</u>	<u>18,430,778</u>	<u>128,255,016</u>
Total liabilities and fund balances	<u>\$ 101,735,215</u>	<u>\$ 46,290,503</u>	<u>\$ 21,800,288</u>	<u>\$ 169,826,006</u>

CITY OF NORFOLK, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2002

Exhibit A-2

Fund balances--total governmental funds	\$ 128,255,016
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	893,214,310
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	16,047,737
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(402,759,762)
Internal service funds	10,505,071
Net Assets of Governmental Activities	<u><u>645,262,372</u></u>

CITY OF NORFOLK, VIRGINIA

Exhibit A-3

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended June 30, 2002**

	Major Funds		Non-major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects		
REVENUES				
General property taxes	\$ 159,512,496	\$ -	\$ -	\$ 159,512,496
Other local taxes	127,262,071	-	-	127,262,071
Permits and licenses	2,699,765	-	-	2,699,765
Fines and forfeitures	1,541,388	-	-	1,541,388
Use of money and property	7,034,215	768,937	3,443,406	11,246,558
Charges for services	10,765,690	-	7,546,385	18,312,075
Miscellaneous	4,580,265	21,308	7,735,328	12,336,901
Recovered costs	10,008,260	-	-	10,008,260
Intergovernmental	105,577,097	-	27,754,513	133,331,610
Total revenues	<u>428,981,247</u>	<u>790,245</u>	<u>46,479,632</u>	<u>476,251,124</u>
EXPENDITURES				
Current operating:				
General government	42,328,152	-	1,797,761	44,125,913
Judicial administration	7,230,870	-	1,559,609	8,790,479
Public safety	112,625,249	-	3,286,890	115,912,139
Public works	43,963,829	-	12,160,319	56,124,148
Health and public assistance	45,429,383	-	16,171,646	61,601,029
Culture and recreation	30,241,641	-	10,607,505	40,849,146
Education	83,882,544	-	-	83,882,544
Community development	16,944,778	-	-	16,944,778
Debt service:				
Principal	-	-	31,177,249	31,177,249
Interest and other charges	-	-	17,459,883	17,459,883
Intergovernmental	-	-	7,932,115	7,932,115
Capital outlay	-	30,515,618	-	30,515,618
Total expenditures	<u>382,646,446</u>	<u>30,515,618</u>	<u>102,152,977</u>	<u>515,315,041</u>
Excess (deficiency) of revenues over expenditures	<u>46,334,801</u>	<u>(29,725,373)</u>	<u>(55,673,345)</u>	<u>(39,063,917)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding bonds	-	-	-	-
Proceeds of capital leases	2,183,756	-	-	2,183,756
Bond proceeds	-	25,727,737	30,451,561	56,179,298
Payment to bond refunding escrow agent	-	-	(30,451,561)	(30,451,561)
Transfers in	8,591,760	11,121,130	53,200,255	72,913,145
Transfers out	(62,014,515)	(496,166)	(2,402,464)	(64,913,145)
Total other financing sources and uses	<u>(51,238,999)</u>	<u>36,352,701</u>	<u>50,797,791</u>	<u>35,911,493</u>
SPECIAL ITEM				
Proceeds from sale of land	160,468	181,035.00	283,943	625,446
Total other financing sources (uses) and special items	<u>(51,078,531)</u>	<u>36,533,736</u>	<u>51,081,734</u>	<u>36,536,939</u>
Net change in fund balance	<u>(4,743,730)</u>	<u>6,808,363</u>	<u>(4,591,611)</u>	<u>(2,526,978)</u>
Fund balances--beginning	72,710,237	35,049,368	7,999,632	115,759,237
Adjustment to beginning fund balances	-	-	15,022,757	15,022,757
Fund balances--ending	<u>\$ 67,966,507</u>	<u>\$ 41,857,731</u>	<u>\$ 18,430,778</u>	<u>\$ 128,255,016</u>

CITY OF NORFOLK, VIRGINIA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2002

Exhibit A-4

Net change in fund balances--total governmental funds	\$ (2,526,978)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Add Capital acquisitions	30,515,618
Subtract Depreciation	<u>(65,071,246)</u> (34,555,628)
In the Statement of Activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset.	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(641,481)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Add Debt repayment	35,772,811
GO Bond proceeds	(25,727,737)
Subtract debt proceeds	<u>(2,183,756)</u> 7,861,318
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (such as compensated absences).	1,511,090
Internal service funds are used by management to charge the costs of of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(143,745)
Change in Net Assets of Governmental Activities	<u><u>\$ (28,495,424)</u></u>

CITY OF NORFOLK, VIRGINIA
Statement of Net Assets - Proprietary Funds
June 30, 2002

Exhibit B-1

	Business-Type Activities				Governmental Activities-- Internal Service Funds
	Water	Waste- Water	Parking Facilities	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 18,452,096	\$ 9,096	\$ 1,799,007	\$ 20,260,199	\$ 2,205,168
Investments	202,561	-	880,000	1,082,561	-
Receivables:					
Accounts (net)	8,962,020	1,241,063	575,441	10,778,524	110,347
Unbilled accounts	1,195,914	547,059	-	1,742,973	-
Accrued investment income	116,392	-	50,311	166,703	-
Other receivables	5,077,185	53,555	-	5,130,740	-
Internal balance	1,182,886	(2,229,841)	(629,094)	(1,676,049)	(5)
Inventories	1,253,042	54,210	119,876	1,427,128	1,581,965
Other assets	244,964	-	792,523	1,037,487	-
Restricted cash held in escrow	988,568	30,539	-	1,019,107	-
Restricted cash held with fiscal agent	6,552,209	-	2,033,238	8,585,447	-
Total current assets	44,227,837	(294,319)	5,621,302	49,554,820	3,897,475
Restricted investments	22,828,207	10,778,560	6,702,163	40,308,930	-
Other assets	588,487	-	-	588,487	-
Capital assets:					
Land and improvements	17,982,303	85,362	22,964,556	41,032,221	-
Buildings and equipment	489,910,335	122,300,786	125,784,519	737,995,640	10,789,385
accumulated depreciation	(78,325,552)	(26,210,792)	(23,084,295)	(127,620,639)	(3,516,049)
Capital assets, net	429,567,086	96,175,356	125,664,780	651,407,222	7,273,336
Total noncurrent assets	452,983,780	106,953,916	132,366,943	692,304,639	7,273,336
Total assets	\$ 497,211,617	\$ 106,659,597	\$ 137,988,245	\$ 741,859,459	\$ 11,170,811
LIABILITIES					
Current liabilities:					
Vouchers payable	\$ 2,028,244	\$ 421,002	\$ 250,833	\$ 2,700,079	\$ 150,638
Contract retainage	6,919	54,441	199,314	260,674	-
Accrued interest	609,900	756,800	45,304	1,412,004	-
Accrued payroll	197,300	67,300	53,147	317,747	59,410
Current portion of bonds payable	12,893,139	3,960,161	4,164,548	21,017,848	61,358
Liabilities payable from restricted assets	3,443,168	-	2,033,238	5,476,406	-
Compensated absences	493,600	131,100	88,000	712,700	181,338
Other liabilities	2,751,901	331,801	-	3,083,702	-
Total current liabilities	22,424,171	5,722,605	6,834,384	34,981,160	452,744
Noncurrent liabilities:					
General obligations payable	36,954,670	47,166,519	12,100,328	96,221,517	-
Revenue bonds payable	267,817,088	-	76,584,742	344,401,830	-
Advance from General Fund	-	-	2,300,000	2,300,000	-
Compensated absences	175,500	79,400	89,937	344,837	90,665
Other long-term liabilities	2,609,292	-	-	2,609,292	122,331
Total noncurrent liabilities	307,556,550	47,245,919	91,075,007	445,877,476	212,996
Total liabilities	329,980,721	52,968,524	97,909,391	480,858,636	665,740
NET ASSETS					
Invested in capital assets, net of related debt	73,162,500	18,577,724	32,615,847	124,356,071	7,089,647
Restricted	29,380,416	10,778,560	6,702,163	46,861,139	-
Unrestricted	64,687,980	24,334,789	760,844	89,783,613	3,415,424
Total net assets	\$ 167,230,896	\$ 53,691,073	\$ 40,078,854	\$ 261,000,823	\$ 10,505,071

CITY OF NORFOLK, VIRGINIA

Exhibit B-2

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For Year Ended June 30, 2002**

	Business-Type Activities				Governmental Activities-- Internal Service Funds
	Water	Waste- Water	Parking Facilities	Totals	
Operating revenues:					
Charges for services	\$ 59,318,470	\$ 13,388,934	\$ 18,354,513	\$ 91,061,917	\$ 8,414,730
Miscellaneous	3,513,749	145,794	-	3,659,543	3,764
Total operating revenues	<u>62,832,219</u>	<u>13,534,728</u>	<u>18,354,513</u>	<u>94,721,460</u>	<u>8,418,494</u>
Operating expenses:					
Personal services	9,964,025	3,412,573	5,564,138	18,940,736	2,976,761
Cost of goods sold	-	-	-	-	4,884,695
Plant operations	4,898,976	1,540,138	814,616	7,253,730	114,899
Chemicals	1,730,432	89,117	-	1,819,549	-
Provision of bad debts	1,494,188	254,464	-	1,748,652	-
Depreciation	9,388,706	1,611,142	2,675,996	13,675,844	359,304
Administrative expenses	1,330,273	1,268,468	334,820	2,933,561	-
Other	9,603,564	1,864,455	596,309	12,064,328	255,953
Total operating expenses	<u>38,410,164</u>	<u>10,040,357</u>	<u>9,985,879</u>	<u>58,436,400</u>	<u>8,591,612</u>
Operating income (loss)	<u>24,422,055</u>	<u>3,494,371</u>	<u>8,368,634</u>	<u>36,285,060</u>	<u>(173,118)</u>
Nonoperating revenue (expenses):					
Interest income, net of interest capitalized	849,446	17,874	73,212	940,532	41,973
Interest expense and fiscal charges	(15,301,409)	(1,271,245)	(4,308,811)	(20,881,465)	(12,320)
Gain (loss) on sale or disposal of fixed assets	35,914	(67,533)	(3,619)	(35,238)	(280)
Unrealized gain/(loss) on investments	379,118	-	-	379,118	-
Total nonoperating revenue (expenses)	<u>(14,036,931)</u>	<u>(1,320,904)</u>	<u>(4,239,218)</u>	<u>(19,597,053)</u>	<u>29,373</u>
Net income (loss) before contributions and transfers	10,385,124	2,173,467	4,129,416	16,688,007	(143,745)
Capital contributions	70,510	284,077	-	354,587	-
Transfers out	<u>(8,000,000)</u>	<u>-</u>	<u>-</u>	<u>(8,000,000)</u>	<u>-</u>
Change in net assets	2,455,634	2,457,544	4,129,416	9,042,594	(143,745)
Total net assets - beginning	<u>164,775,262</u>	<u>51,233,529</u>	<u>35,949,438</u>	<u>251,958,229</u>	<u>10,648,816</u>
Total net assets - ending	<u>\$ 167,230,896</u>	<u>\$ 53,691,073</u>	<u>\$ 40,078,854</u>	<u>\$ 261,000,823</u>	<u>\$ 10,505,071</u>

CITY OF NORFOLK, VIRGINIA

Exhibit B-3

**Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2002**

	Business-Type Activities				Governmental Activities-- Internal Service Funds
	Water	Waste- Water	Parking Facilities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 54,008,119	\$ 12,997,562	\$ 18,319,598	\$ 85,325,279	\$ 8,582,641
Payments to suppliers	(19,353,269)	(5,209,873)	(3,753,908)	(28,317,050)	(5,468,570)
Payments to employees	(9,847,124)	(3,411,374)	(5,531,024)	(18,789,522)	(2,962,415)
Internal activity--payments (to) from other funds	(5,192,648)	1,181,478	(827,466)	(4,838,636)	-
Amortization of bond discount	-	-	186,781	186,781	-
Other receipts (payments)	8,544,238	149,982	130,066	8,824,286	-
Net cash provided (used) by operating activities	<u>28,159,316</u>	<u>5,707,775</u>	<u>8,524,047</u>	<u>42,391,138</u>	<u>151,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies and transfers to other funds	(8,000,000)	-	-	(8,000,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	69,352,561	16,600,528	2,003,869	87,956,958	-
Proceeds from sale of fixed assets	-	-	-	-	(57,879)
Capital contributions	70,510	284,077	-	354,587	-
Purchases of capital assets	(24,661,291)	(6,047,895)	(7,153,596)	(37,862,782)	(28,570)
Refunding of debt principal	(57,132,060)	-	(4,633,590)	(61,765,650)	-
Principal paid on capital debt	(8,949,079)	(9,273,164)	(3,650,172)	(21,872,415)	-
Interest paid on capital debt	(13,021,709)	(1,070,845)	(4,909,333)	(19,001,887)	-
Other receipts (payments)	-	-	(600,000)	(600,000)	-
Net cash provided (used) by capital and related financing activities	<u>(34,341,068)</u>	<u>492,701</u>	<u>(18,942,822)</u>	<u>(52,791,189)</u>	<u>(86,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	5,092,099	(6,246,345)	7,382,099	6,227,853	-
Interest and dividends	847,293	19,887	254,746	1,121,926	41,974
Net cash provided by investing activities	<u>5,939,392</u>	<u>(6,226,458)</u>	<u>7,636,845</u>	<u>7,349,779</u>	<u>41,974</u>
Net increase (decrease) in cash and cash equivalents	(8,242,360)	(25,982)	(2,781,930)	(11,050,272)	107,181
Cash and cash equivalents - beginning of the year	34,235,233	65,617	6,614,175	40,915,025	2,097,987
Cash and cash equivalents - end of the year	<u>\$ 25,992,873</u>	<u>\$ 39,635</u>	<u>\$ 3,832,245</u>	<u>\$ 29,864,753</u>	<u>\$ 2,205,168</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 24,422,055	\$ 3,494,371	\$ 8,368,634	\$ 36,285,060	\$ (173,118)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	9,388,706	1,611,142	2,675,996	13,675,844	359,304
Amortization	631,815	-	186,781	818,596	-
Provision for bad debt	1,266,756	-	-	1,266,756	65,553
Gain (loss) on disposal of assets	35,914	(67,533)	3,619	(28,000)	(280)
Change in assets and liabilities:					
Receivables, net	(5,082,918)	(136,907)	(34,915)	(5,254,740)	(7,064)
Internal balances	(5,192,648)	1,181,478	(827,466)	(4,838,636)	(506)
Other receivables	254,476	-	-	254,476	-
Inventories	64,944	2,943	(42,837)	25,050	105,658
Other assets/prepaid expenses	-	-	165,665	165,665	(2,272)
Accounts/vouchers payables	2,253,316	(378,919)	(2,004,544)	(130,147)	(72,960)
Accrued payroll	116,900	1,200	1,869	119,969	(59,410)
Other long-term liabilities	-	-	31,245	31,245	(63,249)
Net cash provided by operating activities	<u>\$ 28,159,316</u>	<u>\$ 5,707,775</u>	<u>\$ 8,524,047</u>	<u>\$ 42,391,138</u>	<u>\$ 151,656</u>
Reconciliation of cash and cash equivalents to the statement of net assets:					
Cash and cash equivalents	\$ 25,992,873	\$ 39,635	\$ 3,832,245	\$ 29,864,753	\$ 2,205,168
Restricted cash held in escrow	(988,568)	(30,539)	-	(1,019,107)	-
Restricted cash with fiscal agent	(6,552,209)	-	(2,033,238)	(8,585,447)	-
Total cash and cash equivalents per statement of net assets	<u>\$ 18,452,096</u>	<u>\$ 9,096</u>	<u>\$ 1,799,007</u>	<u>\$ 20,260,199</u>	<u>\$ 2,205,168</u>
Noncash investing, capital, and financing activities:					
Unrealized gain / (loss) on investments	\$ 379,118	\$ -	\$ 50,311	\$ 429,429	\$ -
Gain (loss) on sale or disposal of fixed assets	35,914	(67,533)	-	(31,619)	-
Write-off of impaired fixed assets	-	-	-	-	(280)
Acquisition of fixed assets through change in in contract retainage	882,450	(289,296)	-	593,154	-
Capitalized interest, less interest earned on certain long-term construction contracts	1,600,465	1,132,044	398,932	3,131,441	-
Refinance of bond anticipation note	26,000,000	-	-	26,000,000	-
Construction of fixed assets by private developers	-	57,267	-	57,267	-

CITY OF NORFOLK, VIRGINIA
Statement of Fiduciary Net Assets
June 30, 2002

Exhibit C-1

	Pension Trust Employees' Retirement System	Agency Other	Commonwealth of Virginia	Totals
ASSETS				
Cash and cash equivalents	\$ 49,640,251	\$ 2,495,227	\$ 6,085	\$ 52,141,563
Investments	699,548,182	-	-	699,548,182
Receivables:				
Accounts, net of allowance for uncollectible accounts	12,518,124	2,546	-	12,520,670
Accrued investment income	3,429,032	-	-	3,429,032
Due from other funds	-	642	-	642
Total assets	<u>\$ 765,135,589</u>	<u>\$ 2,498,415</u>	<u>\$ 6,085</u>	<u>\$ 767,640,089</u>
LIABILITIES				
Vouchers payable	\$ 912,336	\$ 1,111,571	\$ -	\$ 2,023,908
Due to other funds	-	137,431	-	137,430
Other liabilities	36,847,073	1,249,413	6,085	38,102,571
Total liabilities	<u>37,759,409</u>	<u>2,498,415</u>	<u>6,085</u>	<u>40,263,909</u>
NET ASSETS				
Reserved for:				
Assets held in trust for pension benefits	727,376,180	-	-	727,376,180
Total net assets	<u>727,376,180</u>	<u>-</u>	<u>-</u>	<u>727,376,180</u>
Total liabilities and net assets	<u>\$ 765,135,589</u>	<u>\$ 2,498,415</u>	<u>\$ 6,085</u>	<u>\$ 767,640,089</u>

CITY OF NORFOLK, VIRGINIA

Exhibit C-2

Statement of Changes in Fiduciary Net Assets
Pension Trust Fund - Employees' Retirement System
For the Year Ended June 30, 2002

	<u>2002</u>
Additions:	
Investment income:	
Net (depreciation) appreciation in fair value of investments	\$ (79,263,643)
Interest	17,808,921
Dividends	3,049,802
Other	<u>159,413</u>
	(58,245,507)
Less investment expense	<u>(2,569,595)</u>
Net investment income	<u>(60,815,102)</u>
 Total additions	 <u>(60,815,102)</u>
 Deductions:	
Benefits paid directly to participants	32,947,727
Refunds of contributions	98,193
Beneficiary payments	2,228,711
Administrative fees	<u>683,353</u>
Total deductions	<u>35,957,984</u>
 Net increase	 (96,773,086)
 Net assets held in trust for pension benefits:	
Beginning of year	<u>824,149,266</u>
End of year	<u>\$ 727,376,180</u>

CITY OF NORFOLK, VIRGINIA
Statement of Net Assets - Component Units
June 30, 2002

Exhibit D-1

	Norfolk Public Schools	Norfolk Redevelopment and Housing	Norfolk Community Services Board	Total
ASSETS				
Cash and cash equivalents	\$ 42,587,135	\$ 22,845,373	\$ 1,483,243	\$ 66,915,751
Cash held in escrow with fiscal agent	-	-	6,100	6,100
Restricted cash held with fiscal agent	-	1,755,072	-	1,755,072
Investments	-	6,998,862	1,753,676	8,752,538
Receivables:				
Accounts, net of allowance for uncollectible accounts	463,294	94,747	361,492	919,533
Tenants	-	115,408	-	115,408
Interest	-	684	-	684
Notes	-	19,320,533	-	19,320,533
Other	-	177,788	452,478	630,266
Due from primary government	301,612	-	3,008	304,620
Due from other governments	10,561,748	1,814,774	-	12,376,522
Due from other agencies	1,052,298	-	-	1,052,298
Inventories	1,051,143	496,795	-	1,547,938
Property held for sale	-	23,232,527	-	23,232,527
Restricted cash and investments	-	-	568,850	568,850
Restricted assets	-	21,218,365	-	21,218,365
Prepaid expenses	-	269,557	24,274	293,831
Other assets	444,140	3,344,575	4,731	3,793,446
Capital assets, net	37,685,763	115,396,132	375,978	153,457,873
Total assets	<u>94,147,133</u>	<u>217,081,192</u>	<u>5,033,830</u>	<u>316,262,155</u>
LIABILITIES				
Vouchers/Accounts payable	3,769,835	2,842,159	436,630	7,048,624
Employee withholdings	1,688,709	-	-	1,688,709
Contract retainage	-	482,246	-	482,246
Accrued expenses	-	159,266	-	159,266
Accrued interest	-	272,365	-	272,365
Accrued payroll	21,808,176	-	263,875	22,072,051
Due to other governments	-	605,211	27	605,238
Tenants deposits	-	1,850,877	-	1,850,877
Other deposits/liabilities	-	2,058,595	13,841	2,072,436
Deferred revenue	-	18,394,834	2,102	18,396,936
Escrow deposits	-	153,691	6,100	159,791
Current vested compensated absences	3,391,727	203,640	49,629	3,644,996
Other current liabilities	391,408	5,508,245	733,174	6,632,827
Long-term vested compensated absences	2,789,044	2,079,752	542,640	5,411,436
Other long-term liabilities	749,862	59,031,027	-	59,780,889
Total liabilities	<u>34,588,761</u>	<u>93,641,908</u>	<u>2,048,018</u>	<u>130,278,687</u>
NET ASSETS				
Invested in capital assets, net of related debt	37,685,763	91,390,155	375,978	129,451,896
Restricted for:				
Capital projects	9,483,128	13,199,450	-	22,682,578
Debt service	-	4,639,165	-	4,639,165
Other programs	-	37,858,742	1,593,859	39,452,601
Unrestricted	12,389,481	(23,648,228)	1,015,975	(10,242,772)
Total net assets	<u>\$ 59,558,372</u>	<u>\$ 123,439,284</u>	<u>\$ 2,985,812</u>	<u>\$ 185,983,468</u>

CITY OF NORFOLK, VIRGINIA

Exhibit D-2

**Statement of Activities - Component Units
Year Ended June 30, 2002**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Norfolk Public Schools	Redevelopment and Housing	Totals
Norfolk Public Schools:							
Instructional	\$ 213,991,226	\$ 2,092,487	\$ 183,752,472	\$ -	\$ (28,146,267)		\$ (28,146,267)
Administration, Attendance, and Health	10,440,625	-	-	-	(10,440,625)		(10,440,625)
Pupil Transportation	9,654,511	-	-	-	(9,654,511)		(9,654,511)
Operation and Maintenance	27,962,005	-	-	-	(27,962,005)		(27,962,005)
Information Technology	5,112,813	-	817,859	-	(4,294,954)		(4,294,954)
School Facilities	8,068,390	-	-	5,537,418	(2,530,972)		(2,530,972)
Food Services	15,129,189	2,835,253	8,937,877	-	(3,356,059)		(3,356,059)
Total Norfolk Public Schools	290,358,759	4,927,740	193,508,208	5,537,418	(86,385,393)		(86,385,393)
Norfolk Redevelopment and Housing Authority:							
Governmental activities:							
General Government	866,870	627,808	-	-		(239,062)	
Community Development	68,705,471	8,041,114	39,739,840	26,460,483		5,535,966	
Total governmental activities	69,572,341	8,668,922	39,739,840	26,460,483		5,296,904	
Business-type activities	6,002,512	5,578,504	507,665	-		83,657	
Total NRHA	75,574,853	14,247,426	40,247,505	26,460,483		5,380,561	5,380,561
Community Services Board:							
Health and public assistance	16,942,888	3,671,963	12,370,196	-		(900,729)	(900,729)
Total component units	\$ 382,876,500	\$ 22,847,129	\$ 246,125,909	\$ 31,997,901			(81,905,561)
General revenues:							
Proceeds (loss) from sale of fixed assets					-	370,063	370,063
Interest and investment earnings					1,846,284	155,468	2,081,205
Local government					83,882,544	-	83,882,544
Miscellaneous					-	-	721,245
Total general revenues					85,728,828	525,531	87,055,057
Change in net assets					(656,565)	5,906,092	5,149,496
Net assets--beginning					60,214,937	117,533,192	180,833,972
Net assets--ending					\$ 59,558,372	\$ 123,439,284	\$ 185,983,468

NOTES TO FINANCIAL STATEMENTS

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

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CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

I. Summary of Significant Accounting Policies:

A. Financial Reporting Entity Information:

The City of Norfolk (the "City") was incorporated February 13, 1845, and covers an area of approximately 66 square miles. The City operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 234,500 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries, and general administration.

The City of Norfolk implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments," during the fiscal year ended June 30, 2002.

Blended component units, although legally separate entities are in substance part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

Blended Component Unit: *The Employees' Retirement System of the City of Norfolk (ERS)*, which has a nine-member Board of Trustees appointed by the City Council, including the City Manager and Director of Finance as ex-officio members, is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees covered by the Virginia Supplemental Retirement System, as authorized by Section 143(a) of the City Charter and was established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes contributions, which are combined with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

Discretely Presented Component Units: *The School Board of the City of Norfolk (School Board)*, which has seven elected members, is the operating body that establishes the educational and financial programs and policies for the City public school system. The City levies taxes for its operation, issues bonds or enters into

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

capital leases for its capital requirements and approves its annual operating budget. The School Board of the City of Norfolk is comprised of the School Operating Fund, the School Special Revenue Funds and the School Board Agency Fund.

The Norfolk Redevelopment and Housing Authority (NRHA), a political subdivision of the Commonwealth, was created by the City on July 30, 1940 under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation projects within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. The City does not have the right to impose its will on NRHA, as NRHA is responsible for designating its own management and developing its own operating budget for funding from sources other than City-contracted projects. NRHA contracts and executes major contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects. During the year, the City paid NRHA \$2,408,113 for contracted project management services on ongoing projects. NRHA is considered to be a component unit of the City's reporting entity primarily due to its financial relationship.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom Store, which is the primary anchor for the MacArthur Center regional shopping mall. The store was constructed on land owned by NRHA and leased to Nordstrom, Inc. NRHA obtained a loan from a financial institution that financed the cost of construction of the Nordstrom Store, which is secured in part by ground rental payments from Taubman and store rental payments from Nordstrom. The debt is also secured by pledged assets valued at June 30, 1997 at \$33,406,316, which were owned by the City and transferred to NRHA, for purposes of providing adequate security for the debt. The control over those assets, maintenance of those assets and revenue generated from those assets remain with the City. The City also has a moral obligation, though not a legal obligation, to fund NRHA deficiencies in debt service payments, if any, subject to annual appropriation by the City. Project revenue to date, following the opening of the MacArthur Center Mall, has been and is projected to continue to be sufficient to cover any such deficiencies.

The Norfolk Community Services Board (CSB) was created in 1969 by a resolution of the City of Norfolk. It is empowered by Chapters 10 and 11 of the *Code of Virginia* to provide mental health, mental retardation, and substance abuse services to residents of the City of Norfolk. The CSB is established under mandate of the State and follows the City rules and regulations for its financial, personnel management, and purchasing

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

activities. The CSB carries out its roles and responsibilities under the Operating Board type of structure as outlined in the *Code of Virginia*. The CSB uses the City as its fiscal agent to provide administrative support in these areas. The CSB is composed of 15 members appointed by City Council. The City also approves the CSB's annual operating budget.

Complete financial statements of the individual component units can be obtained from their respective administrative offices:

The City of Norfolk Retirement Board
810 Union Street, City Hall Bldg. Rm. 300
Norfolk, Virginia 23510

The School Board of the City of Norfolk
800 East City Hall Avenue
P O Box 1357
Norfolk, Virginia 23501-1357

The Norfolk Redevelopment Housing Authority
201 Granby Street
Norfolk, Virginia 23501

The Norfolk Community Services Board
Board Administration
248 West Bute Street
Norfolk, Virginia 23510-1404

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the *primary government* is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's discretely presented component units are also included in the government-wide financial statements utilizing the same basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. In compliance with Section 2.9, Uniform Financial Reporting Manual for Virginia Counties and Municipalities, property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred revenue. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be financed by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

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Major sources of governmental funds which meet the “susceptible to accrual” criteria include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Environmental storm water billings
- Revenue from the Commonwealth
 - Shared expenses
 - Categorical aid
- Revenue from the federal government

Expenditures, other than interest on general long-term obligations, are recorded as the related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

The individual governmental funds are as follows:

- a. **General Fund**: The general operating fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government. The City’s payroll agency fund (previously presented as a fiduciary fund), is included in governmental activities for both the government-wide and fund financial statements.
- b. **Special Revenue Funds**: To account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The City’s special revenue funds are included in the governmental activities for both government-wide and fund financial statements. The individual special revenue funds are as follows:
 - i. **Storm Water Fund**: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.
 - ii. **Grants Fund**: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

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- iii. Community Development Fund: To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.
- iv. National Maritime Center (Nauticus) Fund: To account for the operation of the National Maritime Center and Wisconsin Battleship tours.
- v. Expendable Trust and Agency Fund: To account for monies held by the City of Norfolk as a trustee. The resources of this fund are received and subsequently expended in such functions as public works, parks and recreation and libraries.
- c. **Debt Service Fund**: To account for the accumulation of resources required for and the payment of principal and interest on the current portion of general long-term obligations of the City. Revenue of this fund is provided by transfers from the General Fund and the Storm Water Fund.
- d. **Capital Projects Fund**: To account for the financial resources used for the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by proprietary funds and trust funds).
- e. **Permanent Funds**: Previously presented as Non-expendable Trust Funds, the City's permanent funds are used to account for perpetual care and endowed care of certain City-owned cemeteries. Permanent fund balances are included in governmental activities for both the government-wide and fund financial statements.

For its **proprietary funds** and its government wide financial statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with standards issued by the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise and Internal Service funds are charges to customers for sales and services. Operating expenses for the same funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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The individual proprietary funds are as follows:

- a. **Enterprise Funds:** To account for operations that are financed and operated in a manner similar to private business enterprises (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The individual enterprise funds are as follows:
 - i. **Water Utility Fund:** To account for the operations of the City-owned water system. The costs for providing services on a continuing basis are financed or recovered through user charges to customers. These customers include Norfolk residential and commercial customers, the U.S. Navy, municipal customers, and others outside the City.
 - ii. **Wastewater Utility Fund:** To account for the operations of the City-owned wastewater (sewer) system. The costs of providing services on a continuing basis are financed or recovered through user charges to Norfolk residential and commercial customers.
 - iii. **Parking Facilities Fund:** To account for the operations of City-owned parking facilities (garages, lots and on-street meters). The costs of providing services on a continuing basis are financed or recovered through both user charges for long-term and short-term parking facility customer use and fines for parking violations.
- b. **Internal Service Funds:** To account for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds have been established for and are currently used for the Storehouse and Fleet Management funds. The City's internal service funds are considered to be non-major funds and are included in the governmental activities in the government-wide financial statements and in aggregate in the fund financial statements. A discrete presentation is included in the "Other Supplementary Information" section of this document.

Fiduciary funds are used to account for assets held by the City in a trustee capacity as an agent for individuals, private organizations, other governments and/or other funds. These include the Pension Trust and Agency funds. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature

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(assets equal liabilities) and are accounted for on the modified accrual basis. Because of the nature of fiduciary funds, any amounts reported in the fund balance section of the balance sheets do not represent monies appropriable by City Council. Since the fiduciary funds are custodial in nature and are not available to fund the City's programs, they are not included in the government-wide financial statements. A discrete presentation can be found in the "Fund Financial Statements" section of this document.

For the City's fiduciary funds employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Agency funds are custodial in nature (assets equal liabilities) and are accounted for on the modified accrual basis.

The individual fiduciary funds are as follows:

- a. **Pension Trust Fund**: To account for the operations of the Employees' Retirement System of the City of Norfolk ("System").
- b. **Agency Fund - Other**: To account for other monies held in a fiduciary capacity. Monies deposited include such items as sales, admission and food taxes to be remitted to third parties, proceeds from the sale of abandoned motor vehicles, monies held in escrow deposits for offers to purchase City property and monies held by constitutional officers in a fiduciary capacity.
- c. **Agency Fund - Commonwealth of Virginia**: To account for monies deposited by the City Treasurer into an account from which withdrawals may be made only by the Treasurer of the Commonwealth of Virginia. It is custodial in nature. Collections include such items as state income taxes and other state revenue collected by the City.

D. Budgets and Budgetary Accounting:

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Facilities Fund, Storm Water Special Revenue Fund, Nauticus Special Revenue Fund and Internal Service Funds. All funds are under formal budgetary control. In establishing the budgetary data reported in the financial statements, the City uses the following procedures:

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No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department, subject to certain conditions, for the use of the departments included in the General Fund and in all proprietary funds. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations), as well as on a line item basis over individual objects (budgetary accounts). The City Manager is authorized by the ordinance adopting the budget to amend certain object categories and individual objects through transfers. However, any revisions that alter the total appropriations must be approved in advance by City Council.

The School Board manages and controls all funds made available for public school purposes after the City approves its annual operating budget. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. The budget for the School Board is prepared on a modified accrual basis.

The schedules of revenues and expenditures – Budget and Actual of the general fund presented in Exhibit E include the revenues and expenditures – Budget and Actual of the school board.

Reconciliation of revenues and expenditures reported in accordance with GAAP and those presented in accordance with non-GAAP budgetary basis can be found on Exhibit E. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with accounting principles generally accepted in the United States of America.

The accounting system is employed as a budgetary management control device to monitor the individual departments or bureaus/divisions within departments. The legal level of budgetary control is at the departmental account group level. Additional controls over funding within departmental account groups are exercised administratively and any unencumbered annual appropriations lapse at the end of the fiscal year.

City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, as amended by authorized transfers, and all supplemental

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appropriations. Individual amendments to the budget were not material in relation to the original appropriations. All budget data presented in the accompanying financial statements are from the final budget for the fiscal year ended June 30, 2002. Adjustments to lines within the budget at mid-year may be adopted by the City Manager.

City Council also adopts a capital improvement budget and a community development budget on a project basis. As in the case of the General Fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Budgets are also adopted for the Grants Fund on an individual project basis. Appropriations for these budgets do not lapse at year-end but are multi-year and continue until the purpose of the appropriation has been fulfilled. Revenue to support these appropriations may be from future anticipated receipts. Amendments to these budgets are affected by City Council action. The level of budgetary control is on a project basis with additional controls being exercised administratively, as reasonable and necessary. Since an annual budget is not prepared for these funds, a comparison of budget to actual financial statements is not presented.

A separate formal budget is not prepared for the Debt Service Fund. Amounts to meet annual debt service requirements for general obligation debt recorded in the General Long-Term Debt Account Group are appropriated in the General Fund. Effective budgetary control is achieved through compliance with the latter fund's administrative controls.

The Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) compares the final budget and actual expenditures (including outstanding encumbrances) and revenues in the General Fund.

E. Cash Equivalents and Investments:

Investments of the Employees' Retirement System are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's fiscal year. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively. Other investments are stated at cost or at their fair value; these investments are reported in the accompanying financial statements as cash and cash equivalents, unless the original investment period exceeded three months, in which case they are reported as investments. The City does not report any investments at amortized cost. Interest income is accrued as earned.

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F. Notes Receivable:

Notes receivable reported in the governmental funds represent assets which are measurable but not available to fund current expenditures and, therefore, are offset by deferred revenue in the fund financial statements. In the government-wide financial statements, notes receivable are presented as outstanding receivables in the government-wide financial statements. Payments on these balances will be recognized as revenue as they are received.

G. Interfund Transactions:

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying fund financial statements generally reflect such transactions as transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. Since internal service funds generally support governmental activities rather than business-type activities, they are consolidated in with the governmental funds in the government-wide financial statements. A discrete presentation of the City's internal service funds can be found in the "Other Supplementary Information" section of this document.

The General Fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General Fund in the fund financial statements.

H. Inventories:

Inventories are stated at cost, using either the first-in, first-out, or the moving average method. Inventories in the component unit and governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, i.e., the "purchase method." Reported inventories for these funds are offset by a fund balance reserve, in the fund financial statements, which indicates that they do not constitute currently "available expendable resources." Proprietary funds expense inventory when used.

I. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City's Capitalization Policy as assets with an initial, individual

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cost of more than \$2,000 and an estimated useful life of two years. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are subsequently capitalized upon completion at historical cost for control purposes in the above account group with a corresponding increase in investment in general fixed assets. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated fixed assets are recorded at their estimated fair value on the date received and infrastructure is not capitalized. In the proprietary funds, interest costs incurred on funds borrowed for construction projects are capitalized net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as nonoperating revenue or expense.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets acquired through capital lease transactions are included in the Governmental Funds or the appropriate proprietary fund. City land, buildings and improvements other than buildings acquired prior to June 30, 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology. Capital assets purchased by proprietary funds are stated at cost, less accumulated depreciation.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	Governmental Funds	Enterprise Funds	Internal Service Funds
	(in years)		
Building and improvements	40	10-75	40-50
Improvements other than buildings	15-25	10-99	15
Warehouse equipment and fixtures	-	-	7-10
Transmission and distribution mains	-	50-99	-
Service meters and meter installation	-	35-50	-
Pumping and other water/wastewater equipment	-	10-30	-
Vehicles and garage equipment	4-10	4-10	4-25
Data processing equipment	5-10	5-10	5-10
Furniture, fixtures and equipment	3-25	3-25	3-20

J. Accrued Payroll:

Payroll costs for City employees who receive their semimonthly pay one week after month-end and certain School Board employees who work under a 9, 10 or 11-month

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contract paid over a 12-month period are recognized in the period in which services are rendered. The long-term portion of compensated absences is not included in the fund financial statements, as the fund financial statements represent near-term financing needs.

K. Deferred Revenue:

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but are not considered currently available resources.

L. Long-Term Obligations:

Long-term obligations payable from future expendable available resources, such as accrued leave, Employees' Retirement System contributions, capital leases, retirees' life insurance, workers' compensation claims, landfill liabilities and general obligation bonds that will be financed from governmental funds, are accounted for in the respective governmental and proprietary funds in the government-wide financial statements and only the current portion of long-term obligations are presented in the fund financial statements.

M. Accrued Leave Benefits:

In the Primary Government, vacation and sick leave accumulate monthly. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. Accumulated vacation leave cannot exceed 44 days at June 30 of each year for City employees. City employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. The amount of unpaid vacation leave, including salary-related payments, accumulated by employees is accrued as an expense when incurred in the proprietary funds, which use the accrual basis of accounting. The entire unpaid liability for vacation is recorded in their respective funds in the Government-wide Financial Statements and only the current portion is included in the Fund Financial Statements.

In the Norfolk Public Schools vacation and sick leave accumulate monthly. Vacation leave is fully vested when earned by School Board employees. Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave in excess of 100 days. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board food service employees have ten-month employment contracts and are not entitled to vacation.

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N. Fund Equity:

Fund equity reserves are used to indicate a portion of fund balance that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of unreserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

O. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund, Special Revenue Funds and Capital Projects Fund. Encumbrances outstanding at year-end do not lapse and are reported as reservations of fund balances. Encumbrances do not constitute expenditures in accordance with accounting principles generally accepted in the United States.

P. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. Cash, Deposits and Investments:

The City maintains a cash and investments pool for all funds except the Pension Trust and Permanent Funds. Each fund's portion of the pool is disclosed in the statement of net assets and balance sheet as cash and cash equivalents. The cash and investments of the other funds enumerated above are held separately from the pooled City funds.

All deposits of the City are made in Council designated official depositories and are collateralized as required by the Commonwealth of Virginia. The City may also establish time deposit accounts, money market accounts, repurchase agreements, and certificates of deposit.

Deposits: All bank balances, including the component units, were covered by federal depository insurance, commercial insurance or collateralized in accordance with the Virginia Security for Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial

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institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Investments: Statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Pension Trust Fund is authorized to invest in common stocks.

Investments are categorized in the following tables to give an indication of the level of credit risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its safekeeping agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or safekeeping agent, but not in the entity's name.

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Pension Trust Fund:	Category			Total Cost	Fair Value
	1	2	3		
U.S. government and government agency securities	\$ 72,069,615	\$ -	\$ -	\$ 72,069,615	\$ 72,726,817
Corporate bonds and debentures including commercial paper, classified as cash and short term investments	206,956,505	-	-	206,956,505	210,570,193
Common stocks	293,870,115	-	-	293,870,115	261,460,001
	<u>\$ 572,896,235</u>	<u>\$ -</u>	<u>\$ -</u>	572,896,235	544,757,011
State Street Conservative Fund				38,666,913	92,209,752
State Street Global Advisors Bond Market Index Fund				50,103,436	62,581,419
Money market investments included in cash and short-term investments				49,681,129	49,681,129
				711,347,713	749,229,311
Less: funds classified as cash equivalents				49,681,129	49,681,129
Total Investments				<u>\$ 661,666,584</u>	<u>\$ 699,548,182</u>

Primary Government:

Money market investments included in cash and short-term investments					
Commonwealth of Virginia Local Government Investment Pool (MMMF)				\$ 11,761,224	\$ 11,811,649
Virginia Aim Program				103,308,000	103,308,000
Virginia State Non-Arbitrage Program				38,155,111	38,826,418
				4,549,283	4,757,885
Total Investments				<u>\$ 157,773,618</u>	<u>\$ 158,703,952</u>

Component Units:	Category			Fair Value
	1	2	3	
Repurchase agreements	\$ -	\$ -	\$ 5,080,724	\$ 5,080,724
U.S. government and government agency securities	28,611,576	832,310	-	29,443,886
Corporate bonds and debentures including commercial paper, classified as cash and short-term investments	-	904,979	-	904,979
Mutual Funds	-	16,387	-	16,387
Commercial paper	-	6,181,684	-	6,181,684
	<u>\$ 28,611,576</u>	<u>\$ 7,935,360</u>	<u>\$ 5,080,724</u>	41,627,660
Suntrust Capitoline Mutual Fund				25,572,179
Total component units				<u>\$ 67,199,839</u>

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A reconciliation of the fair value of deposits and investments reported above to amounts reported in the statement of net assets and the balance sheet is as follows:

	Primary	Component Units		
	Government	School Board	NRHA	CSB
Deposits	\$ 25,202,723	\$ 15,987,213	\$ 12,941,863	\$ 2,056,998
Investments (including restricted investments)	158,703,952	25,572,179	39,873,984	1,753,676
Cash on hand	690,389	905	1,825	1,195
Total	\$ 184,597,064	\$ 41,560,297	\$ 52,817,672	\$ 3,811,869
<u>Per Exhibit 1:</u>				
Cash and cash equivalents	\$ 173,639,314	\$ 15,988,118	\$ 24,600,445	\$ 1,489,343
Investments	1,353,196	25,572,179	6,998,862	1,753,676
Restricted cash and investments	9,604,554	-	-	-
Restricted assets	-	-	21,218,365	568,850
Total	184,597,064	41,560,297	52,817,672	3,811,869

Limited use was made of short-term repurchase agreement investment instruments during the year. The Employees' Retirement System invests in certain derivatives, including real estate mortgage investment conduits and collateralized mortgage obligations. Investments in derivatives with a cost of \$62,935,882 and \$76,754,976 and a market value of \$64,841,773 and \$77,397,858 were held at June 30, 2002 and 2001, respectively.

III. Property Taxes:

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. Action of the City Assessor may be appealed to a three-member Board of Review appointed by the Chief Judge of the Circuit Court. Local properties of public service corporations are assessed by the Commonwealth's Department of Taxation or the State Corporation Commission. Certain personal property, machinery and tools, mobile homes and airplanes are assessed by the Commissioner of the Revenue.

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2002, on each \$100 of assessed value, were \$1.40 for real property, \$.18 for the Downtown Service District, \$4.00 for personal property, \$2.00 for recreational vehicles, \$4.00 for machinery and tools, \$1.40 for mobile homes, \$2.40 for airplanes, \$.01 for pleasure boats and \$1.50 for business boats. Disabled veterans pay a discount rate of \$3.00 for personal property.

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The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of Acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89, City Charter.

IV. Accounts Receivable:

A. Unbilled Accounts Receivable:

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2002:

Water Utility Fund	\$ 1,195,914
Wastewater Utility Fund	<u>547,059</u>
	<u><u>\$ 1,742,973</u></u>

The associated revenue is included in net charges for services.

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B. Allowances for Uncollectible Accounts Receivable:

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent cash receipts. The allowances at June 30, 2002 are as follows:

Primary Government:

General Fund:	
Taxes	\$ 15,580,000
Accounts	<u>12,022,049</u>
	27,602,049
Special Revenue - Storm Water Fund	323,850
Water Utility Fund	2,434,170
Wastewater Utility Fund	<u>718,073</u>
Total - Primary Government	<u><u>\$ 31,078,142</u></u>

Component Units:

Norfolk Redevelopment and Housing Authority	26,988
Community Services Board	<u>818,701</u>
Total - Component Units	<u><u>\$ 845,689</u></u>

V. Notes Receivable:

Notes receivable, at June 30, are as follows:

Primary Government: General Fund

Lake Taylor Transitional Care Hospital

Outstanding portion of promissory notes related to general obligation bonds issued for hospital improvement purposes which were assumed by the City General Fund, due in accordance with the amortization schedules for the bonds (see Note IX). All of the hospital's land, improvements, buildings and fixtures and substantially all other assets are pledged as collateral for the bonds.

WHRO (Hampton Roads Educational Telecommunications Association, Inc.)

Total – Primary Government

\$ 632,200

166,867

\$ 799,067

Component Unit: Norfolk Redevelopment and Housing Authority

\$40,155,533

CITY OF NORFOLK, VIRGINIA
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VI. Due From Other Governments:

Amounts due from other governments, at June 30, are as follows:

	General	Nonmajor	Total	Component Units	
	Fund	Governmental	Primary	Norfolk	
		Funds	Government	Public Schools	NRHA
Other:					
Various grants/reimbursements	\$ -	\$ -	\$ -	\$ -	\$ 1,814,774
Commonwealth of Virginia:					
Shared expenses	7,012,442	-	7,012,442	-	-
Categorical aid	7,163,884	-	7,163,884	-	-
Noncategorical aid	962,281	-	962,281	-	-
Various grants	-	4,604,269	4,604,269	6,498,479	-
Total - Commonwealth	15,138,607	4,604,269	19,742,876	6,498,479	-
Federal Government:					
Various grants	-	1,466,985	1,466,985	4,063,269	-
Total - Federal	-	1,466,985	1,466,985	4,063,269	-
Total - Due from other governments					
per Exhibit A-1	\$ 15,138,607	\$ 6,071,254	\$ 21,209,861	\$ 10,561,748	\$ 1,814,774

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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VII. Changes in Capital Assets:

A summary of changes in capital assets, at June 30, follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 26,366,614	\$ 594,482	\$ (19,482)	\$ 26,941,614
Buildings	467,484,806	9,321,132	(5,902,356)	470,903,582
Improvements other than buildings	20,917,736	100,000	(181,328)	20,836,408
Equipment	85,270,943	8,894,884	(8,243,123)	85,922,704
Construction in progress	15,993,745	15,856,493	(10,618,688)	21,231,550
Infrastructure	1,037,380,551	9,616,637	(1,792,411)	1,045,204,777
Totals at historical cost	1,653,414,395	44,383,628	(26,757,388)	1,671,040,635
Less accumulated depreciation				
Buildings	(172,215,282)	(11,715,061)	4,609,797	(179,320,546)
Improvements other than buildings	(9,120,843)	(674,570)	181,329	(9,614,084)
Equipment	(42,075,305)	(7,856,018)	7,904,080	(42,027,243)
Infrastructure	(494,406,215)	(45,184,901)	-	(539,591,116)
Total accumulated depreciation	(717,817,645)	(65,430,550)	12,695,206	(770,552,989)
Governmental activities capital assets, net	\$ 935,596,750	\$ (21,046,922)	\$ (14,062,182)	\$ 900,487,646
Business-type activities:				
Land	\$ 40,732,221	\$ 300,000	\$ -	\$ 41,032,221
Buildings and equipment	707,335,525	31,429,405	(769,290)	737,995,640
Totals at historical cost	748,067,746	31,729,405	(769,290)	779,027,861
Less accumulated depreciation for buildings and equipment	(114,648,022)	(13,675,844)	703,227	(127,620,639)
Business-type activities capital assets, net	\$ 633,419,724	\$ 18,053,561	\$ (66,063)	\$ 651,407,222
Depreciation expense was charged to governmental activities as follows:				
General government	\$ 4,961,580			
Judicial administration	277,697			
Public safety	4,515,488			
Public works, which includes the depreciation of infrastructure assets	47,258,483			
Health and sanitation	398,972			
Culture and recreation	7,296,449			
Community development	362,577			
In addition, depreciation on capital assets held by the City's internal service funds (see page 10), is charged to the various functions based on their usage of the assets.	359,304			
Total depreciation expense	\$ 65,430,550			
Business-type activities:				
Water Utility	\$ 9,388,706			
Wastewater Utility	1,611,142			
Parking	2,675,996			
Total depreciation expense	\$ 13,675,844			

CITY OF NORFOLK, VIRGINIA
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	Beginning Balance	Additions	Retirements	Ending Balance
Component Units:				
Land	\$ 29,355,983	\$ 5,668,726	\$ 12,211,836	\$ 22,812,873
Improvements	82,977,247	1,688,839	-	84,666,086
Buildings and equipment	148,567,259	19,573,455	1,406,023	166,734,691
Totals at historical cost	260,900,489	26,931,020	13,617,859	274,213,650
Less accumulated depreciation for buildings and equipment	(106,627,044)	(14,812,452)	(683,719)	(120,755,777)
Component Units: capital assets, net	<u>\$ 154,273,445</u>	<u>\$ 12,118,568</u>	<u>\$ 12,934,140</u>	<u>\$ 153,457,873</u>

Depreciation expense was charged to governmental activities as follows:

Education	\$ 6,692,957
Health and sanitation	162,752
Community development	8,640,462
Total depreciation expense	<u>\$ 15,496,171</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2002:

	Interest Expense	Interest Revenue	Net Capitalized
Water Utility Fund	\$ 3,565,510	\$ (1,965,045)	\$ 1,600,465
Wastewater Utility Fund	1,259,469	(127,425)	1,132,044
Parking Fund	586,344	(187,412)	398,932
	<u>\$ 5,411,323</u>	<u>\$ (2,279,882)</u>	<u>\$ 3,131,441</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

VIII. Long-Term Obligations:

A. General Obligation and Revenue Bonds:

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2002 follows:

	Enterprise Funds			
	Public Improvement Bonds	Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds
General obligation bonds outstanding at July 1, 2001	\$ 353,917,150	\$ 51,922,584	\$ 44,149,493	\$ 18,456,019
Bonds retired	(31,226,364)	(7,130,956)	(3,525,753)	(2,640,172)
Bonds refunded	(30,451,651)	(8,132,060)	(6,077,699)	(1,928,590)
Bonds issued	56,056,902	8,352,561	16,600,528	2,003,869
Bonds outstanding at June 30, 2002	348,296,037	45,012,129	51,146,569	15,891,126
Unamortized (discount)/premium	1,309,687	(864,320)	(19,889)	(706,250)
General obligation bonds outstanding June 30, 2002, adjusted for unamortized (discount)/premium	\$ 349,605,724	\$ 44,147,809	\$ 51,126,680	\$ 15,184,876
Revenue bonds outstanding at July 1, 2001	\$ 271,950,000	\$ -	\$ 85,290,000	
Bonds retired	(4,890,000)	-	(1,010,000)	
Bonds refunded	(49,000,000)	-	(2,705,000)	
Bonds issued	61,000,000	-	-	
Bonds outstanding at June 30, 2002	279,060,000	-	81,575,000	
Less unamortized discount	(5,542,912)	-	(3,910,258)	
Revenue bonds outstanding at June 30, 2002, adjusted for unamortized discount/premium	\$ 273,517,088	\$ -	\$ 77,664,742	

In accordance with ordinances adopted by City Council, on July 1, 1988, the City established a separate operating unit, the Lake Taylor Transitional Care Hospital, formally the Hospital Authority of Norfolk (HAN), which operates Lake Taylor Hospital. Under the terms of the related Agreement of Transfer, the City retained the liability for Hospital Improvement General Obligation bonds. Simultaneously, HAN delivered promissory notes to the City that is accounted for as notes payable to the General Fund. The outstanding principal balance, at June 30, 2002, is \$632,200.

The City entered into an agreement on April 13, 2000 to sell 2.1070 acres of land to Hampton Roads Educational Telecommunications Association, Inc. (WHRO). WHRO delivered a deed of trust note to the City that is accounted for as a payable to the General Fund.

CITY OF NORFOLK, VIRGINIA
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General obligation bonds outstanding at June 30, 2002 are composed of the following individual issues:

General Long-Term Obligation:

Public Improvement Bonds:

\$1,500,000 public improvement bond issued July 11, 1989, due July 1, 2019, with interest payable annually on July 1 at 6.76 percent. \$ 1,500,000

\$88,641,817 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$3,774,577 to \$5,646,139 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$26,466,827 due from the February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998, bond issue and, \$11,342,926 due from February 1, 2003 through February 1, 2005 which was current refunded and called on April 1, 2002 with proceeds from the February 1, 2002, bond issue. -

\$54,420,794 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$1,870,000 to \$3,684,741 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. The amount is net of \$9,358,725 due from February 1, 2008 through February 1, 2012, which was advance refunded on February 13, 2002. 14,120,532

\$20,835,766 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$268,826 to \$2,193,616 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent. 7,519,944

\$132,886,594 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$2,961,856 to \$10,513,840 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent. 81,870,779

\$39,000,000 public improvement serial bonds included as part of the \$50,000,000 bonds issued May 1, 1995, due in annual installments of \$1,950,000 through June 1, 2013, with interest payable semiannually at rates varying from 5.25 to 6.00 percent. The amount due is net of \$3,900,000 due from May 1, 2014 through May 1, 2015, which was advance refunded with proceeds from the June 15, 1998 bond issue and, \$9,750,000 due from June 1, 2009 to June 1, 2013 which was advance refunded on February 13, 2002. 11,700,000

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

\$55,000,000 public improvement serial bonds included as part of the \$60,000,000 bonds issued March 1, 1996, due in annual installments of \$2,750,000 through June 1, 2016, with interest payable semiannually at rates varying from 5.125 to 5.250 percent.	\$ 38,500,000
\$34,975,000 public improvement serial bonds included as part of the \$43,975,000 bonds issued April 15, 1997, due in annual installments of \$1,750,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.250 to 5.375 percent.	26,225,000
\$4,000,000 public improvement serial qualified redevelopment bonds issued April 15, 1997, due in annual installments of \$200,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.25 to 5.75 percent.	3,000,000
\$67,111,792 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$1,765,305 to \$5,932,667 through June 1, 2019 with interest rates varying from 4.25 to 5.00 percent.	61,815,878
\$2,560,000 public improvement serial qualified redevelopment bonds issued September 15, 1998 due in annual installments of \$130,000 through July 1, 2018, with interest payable semiannually at rates varying from 4.70 to 5.10 percent.	2,200,000
\$11,700,000 public improvement serial bonds issued July 1, 1999 due in annual installments of \$585,000 through July 1, 2019 with interest rates varying from 4.50 to 5.00 percent.	10,712,450
\$4,000,000 public improvement serial qualified redevelopment bonds issued July 1, 1999, due in annual installments of \$200,000 through July 1, 2019 with interest rates varying from 4.55 to 5.30 percent.	3,417,550
\$7,000,000 public improvement serial qualified zone academy bonds issued August 19, 1999, due in annual installments of \$538,462 through August 18, 2012 with no stated interest.	5,384,614
\$18,025,000 public improvement serial bonds issued July 15, 2000 due in annual installments varying from \$804,583.90 to \$800,138.70 through July 1, 2020 with interest rates varying from 5.00 to 5.25 percent.	17,120,000
\$3,995,000 public improvement serial qualified redevelopment bonds issued July 15, 2000 due in annual installments varying from \$200,000 to \$195,000 through July 1, 2021 with interest rates varying from 5.125 to 5.65 percent.	3,795,000
\$3,637,170 public improvement serial qualified zone academy bonds issued November 22, 2000, due in annual installments of \$279,782.30 through November 22, 2013 with no stated interest.	3,357,388

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

\$1,062,830 public improvement serial qualified zone academy bonds issued December 27, 2001, due in annual installments of \$61,347.10 through December 27, 2015 with no stated interest. \$ 858,860

\$7,955,000 public improvement serial qualified redevelopment bonds issued February 13, 2002, due in annual installments of \$400,000 to \$355,000 through June 30, 2022, with interest payable semiannually at rates varying from 3.00 to 5.00 percent. 7,955,000

\$16,477,000 public improvement serial bonds included as part of the \$27,000,000 issued February 13, 2002, due in annual installments of \$1,350,000 through June 30, 2022, with interest rates varying from 2.00 to 5.00 percent. 16,447,000

\$30,796,042 public improvement serial bonds included as part of the \$47,200,000 issued February 13, 2002, due in annual installments of \$4,222,089 to \$1,794,000 through June 30, 2013 with interest rates varying from 2.00 to 5.00 percent. 30,796,042

Plus unamortized bond premium 1,309,687

Total general long-term obligation bonds outstanding **\$349,605,724**

Enterprise Funds:

Water utility development bonds:

\$34,217,243 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$1,459,521 to \$2,115,088 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$10,216,644 due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998, bond issue and, \$4,378,562 due from February 1, 2003 through February 1, 2005 which was current refunded and called on April 1, 2002 with proceeds from the February 1, 2002, bond issue. -

\$28,431,728 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993 due in annual installments varying from \$750,000 to \$2,509,695 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. The amount due is net of \$3,753,499 due from February 1, 2008 through February 1, 2012, which was refunded on February 13, 2002. 6,424,905

\$5,347,960 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$470,120 to \$529,920, through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent. 1,930,160

CITY OF NORFOLK, VIRGINIA
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\$27,484,371 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$867,707 to \$2,718,730 through June 1, 2011, with interest payable semiannually at rates varying from 4.30 to 5.40 percent. \$ 17,611,807

\$10,692,696 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$6,521 to \$1,402,071 beginning June 1, 2006 through June 1, 2012 with interest rates varying from 4.25 to 5.00 percent. 10,692,696

\$8,352,561 public improvement refunding bonds included as part of the \$47,200,000 refunding bonds issued February 13, 2002 due in annual installments varying from \$ 1,629,798 to \$730,014 beginning January 01, 2003 through June 30, 2013 with interest rates varying from 2.00 to 5.00 percent. 8,352,561

Water utility development bonds outstanding 45,012,129
Less unamortized bond discount 864,320

Net water utility development bonds outstanding 44,147,809

Wastewater utility development bonds:

\$6,450,000 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$275,122 to \$398,697 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$1,925,852, due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998 bond issue and, \$825,365 due from February 1, 2003 through February 1, 2005 which was current refunded and called on April 1, 2002 with proceeds from the February 1, 2002, bond issue. -

\$10,775,133 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$500,000 to \$569,210 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. The amount due is net of \$2,502,333 due from February 1, 2008 through February 1, 2012, which was advance refunded on February 13, 2002. 3,094,392

\$965,177 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$84,845 to \$95,638 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent. 348,347

\$11,111,446 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$265,464 to \$786,497 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent. 6,735,544

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\$11,000,000 public improvement serial bonds included as part of the \$50,000,000 bonds issued May 1, 1995, due in annual installments of \$550,000 through June 1, 2015, with interest payable semiannually at rates varying from 5.25 to 6.00 percent. The amount due is net of \$1,100,000, due from May 1, 2014 through May 1, 2015, which was advance refunded with proceeds from the June 15, 1998, bond issue and, \$2,750,000 due from June 1, 2009 through June 1, 2013 which was advance refunded on February 13, 2002. \$ 3,300,000

\$5,000,000 public improvement serial bonds included as part of the \$60,000,000 bonds issued March 1, 1996, due in annual installments of \$250,000 through June 1, 2015, with interest payable semiannually at rates varying from 5.125 to 5.250 percent. 3,500,000

\$9,000,000 public improvement serial bonds included as part of the \$43,975,000 bonds issued April 15, 1997, due in annual installments of \$450,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.250 to 5.375 percent. 6,750,000

\$12,166,844 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$449,695 to \$864,945 beginning June 1, 2000 through June 1, 2015 with interest rates varying from 4.25 to 5.00 percent. 10,817,758

\$10,553,000 public improvement refunding bonds included as part of the \$27,000,000 bonds issued February 13, 2002 due in annual installments of \$527,650 beginning in January 01, 2003 through June 30, 2022 with interest rates varying from 2.00 to 5.00 percent. 10,553,000

\$6,047,528 public improvement refunding bonds included as part of the \$47,200,000 refunding bonds issued February 13, 2002 due in annual installments of \$1,051,685 to \$7,348 beginning in January 01, 2003 through June 30, 2013 with interest rates varying from 2.00 to 5.00 percent. 6,047,528

Wastewater utility development bonds outstanding 51,146,569
Less unamortized bond discount 19,889

Net wastewater utility development bonds outstanding 51,126,680

Parking facilities development bonds:

\$11,355,941 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992 due in annual installments varying from \$484,382 to \$701,951 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$3,390,677 due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998 bond issue and, \$1,453,147 due from February 1, 2003 through February 1, 2005 which was current refunded and called on April 1, 2002 with proceeds from the February 1, 2002, bond issue. -

CITY OF NORFOLK, VIRGINIA
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\$7,667,345 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$95,000 to \$1,170,078 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. The amount is net of \$475,443 due from February 1, 2008 through February 1, 2012, which was refunded on February 13, 2002.

\$1,825,171

\$1,916,096 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$168,347 to \$189,863 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.

691,549

\$11,202,590 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$172,680 to \$1,321,182 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent.

7,821,869

\$3,548,668 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$2,164 to \$465,316 beginning June 1, 2006 through June 1, 2012 with interest rates varying from 4.25 to 5.00 percent.

3,548,668

\$2,003,869 public improvement bonds included as part of the \$47,200,000 refunding bonds issued February 13, 2002 due in annual installments of \$540,894 to \$92,308 beginning on January 01, 2003 through January 1, 2013 with interest rates varying from 2.00 to 5.00 percent.

2,003,869

Parking facilities development bonds outstanding 15,891,126
Less unamortized bond discount 706,250

Net parking facilities development bonds outstanding **15,184,876**

Net general obligation bonds outstanding **\$ 460,065,089**

CITY OF NORFOLK, VIRGINIA
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Revenue bonds outstanding at June 30, 2002 are composed of the following individual issues:

Enterprise Funds:

Water utility revenue bonds:

\$68,430,000 water revenue serial bonds issued November 1, 1993, due in annual installments varying from \$1,290,000 to \$4,410,000 through November 1, 2023, with interest payable semiannually at rates varying from 2.80 to 5.375 percent.	\$ 58,645,000
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\$115,680,000 water revenue serial bonds issued August 15, 1995, due in annual installments varying from \$1,820,000 to \$7,910,000 through November 1, 2025 with interest payable semiannually at rates varying from 5.00 to 7.00 percent.	105,070,000
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\$84,605,000 water revenue serial bonds issued November 1, 1998, due in annual installments varying from \$1,365,000 to \$5,285,000 through June 30, 2029, with interest payable semiannually at rates varying from 4.00 to 5.125 percent.	80,345,000
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\$23,000,000 water revenue bond anticipation note issued June 14, 2001 and due October 1, 2001, with interest payable at maturity at the rate of 3.2 percent.	-
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\$26,000,000 water revenue bond anticipation note issued September 28, 2001 and due December 31, 2001, with interest payable at maturity at the rate of 2.50 percent.	-
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\$35,000,000 water revenue serial bond issued October 15, 2001, due in annual installments of \$580,000 to \$2,150,000 beginning November 1, 2002 through November 1, 2031, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.	<u>35,000,000</u>
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Water revenue bonds outstanding	279,060,000
Less unamortized discount	<u>5,542,912</u>

Net water utility revenue bonds outstanding	<u>273,517,088</u>
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Parking facilities revenue bonds:

\$54,450,000 parking revenue serial bonds issued February 1, 1997, due in annual installments beginning in fiscal year 2000, varying from \$935,000 to \$3,625,000 through February 1, 2027 with interest payable semiannually at rates varying from 4.125 to 5.550 percent.	44,350,000
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\$17,475,000 parking revenue serial bonds issued February 15, 1999, due in annual installments beginning in fiscal year 2001, varying from \$305,000 to \$1,085,000 through February 1, 2029 with interest payable semiannually at rates varying from 4.00 to 5.00 percent.	14,220,000
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CITY OF NORFOLK, VIRGINIA
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\$28,040,000 parking revenue serial bonds issued October 1, 2000 due in annual installments beginning in fiscal year 2001, varying from \$185,000 to \$5,115,000 through October 1, 2031 with interest payable semiannually at rates varying from 5.50 to 5.67 percent. A portion of the proceeds was used to advance refund \$9,165,000 from the Parking System Revenue Bonds, Series 1997 and \$3,255,000 from Parking System Revenue Bonds, Series 1999. The bonds refunded had maturity dates ranging from February 1, 2001 to February 15, 2009. On March 7, 2002, \$2,705,000, with maturing dates ranging from February 1, 2028 through February 1, 2031, was retired by a cash funded defeasance.

\$ 23,005,000

Parking facilities revenue bonds outstanding	81,575,000
Less unamortized discount	<u>3,910,258</u>
Net parking facilities revenue bonds outstanding	<u>77,664,742</u>
Net revenue bonds outstanding	<u>\$ 351,181,830</u>

A summary of the requirements to amortize general obligation bonds at June 30, is as follows:

Public Improvement Bonds		
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	32,461,743	16,747,733
2004	30,583,489	15,520,410
2005	30,329,734	14,088,055
2006	28,960,252	12,508,661
2007-2011	129,965,424	42,081,109
2012-2016	70,881,471	15,160,909
2017-2021	23,891,573	3,200,972
2022	1,222,350	61,118
Total	\$ 348,296,037	\$ 119,368,966

General Fund revenue is used to satisfy general obligation bonds payable. Bonds recorded in the enterprise funds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City are pledged to the payment of the principal and interest on all general obligation bonds.

The General Fund assumed a note payable on behalf of the former National Maritime Center Authority and Holding Corporation of ILA Local 1248. The note will be paid according to the following schedule:

I.L.A.			National Maritime Center Authority		
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003 \$	9,589	\$ 15,175	2003 \$	561,594	\$ 138,406
2004	10,130	14,634	2004	605,563	94,437
2005	10,702	14,062	2005	653,411	46,589
2006	11,305	13,459	2006	196,482	4,231
2007-2011	66,838	56,980	2007-2011	-	-
2012-2016	87,948	35,872	2012-2016	-	-
2017-2020	83,742	9,124	2017-2020	-	-
Total \$	280,255	\$ 159,306	Total \$	2,017,050	\$ 283,663

CITY OF NORFOLK, VIRGINIA
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Water revenue bonds are payable solely from the revenue of the Water Utility Fund. The most restrictive covenant of the water revenue bonds requires the Water Utility Fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the fiscal year or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

Parking revenue bonds are payable solely from the revenue of the Parking Facilities Fund. The most restrictive covenant of the parking revenue bonds requires the Parking Facilities Fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Center Garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

At June 30, the following defeased bonds from advance refundings are still outstanding:

Defeased In	Original Issue	Amount
1998	1995	\$ 5,000,000
2002	1993	16,090,000
2002	1995	12,500,000
		<u>\$ 33,590,000</u>

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The detailed requirements to amortize general obligation bonds outstanding for the Water Utility Fund, Wastewater Utility Fund, and Parking Facilities Fund, at June 30, are presented in the tabulation that follows:

Year Ending	<u>Water Utility Fund</u>		<u>Wastewater Utility Fund</u>		<u>Parking Facilities Fund</u>		<u>Total</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	7,193,139	2,126,466	3,960,161	2,516,573	3,084,548	743,907	14,237,848	5,386,946
2004	5,486,252	1,881,728	3,861,791	2,365,823	2,133,060	644,067	11,481,103	4,891,618
2005	5,406,905	1,625,625	3,845,181	2,177,478	2,097,772	543,885	11,349,858	4,346,988
2006	4,577,010	1,322,360	3,944,561	1,970,438	1,377,768	428,189	9,899,339	3,720,987
2007-2011	18,380,947	3,418,907	18,881,943	6,896,861	5,839,643	1,173,777	43,102,533	11,489,545
2012-2016	3,967,876	322,218	11,681,857	2,702,702	1,358,335	110,483	17,008,068	3,135,403
2017-2021	-	-	4,443,427	647,844	-	-	4,443,427	647,844
2022	-	-	527,648	26,382	-	-	527,648	26,382
	<u>\$ 45,012,129</u>	<u>\$ 10,697,304</u>	<u>\$ 51,146,569</u>	<u>\$ 19,304,102</u>	<u>\$ 15,891,126</u>	<u>\$ 3,644,308</u>	<u>\$ 112,049,824</u>	<u>\$ 33,645,713</u>

The detailed requirements to amortize water revenue bonds outstanding at June 30, are presented in the tabulation that follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	5,700,000	14,600,283
2004	5,955,000	14,336,043
2005	6,250,000	14,041,059
2006	6,580,000	13,713,374
2007-2011	38,250,000	63,214,261
2012-2016	49,505,000	51,965,190
2017-2021	64,735,000	36,719,909
2022-2026	75,580,000	16,843,090
2027-2031	24,355,000	2,926,434
2032	2,150,000	53,750
Total	\$ 279,060,000	\$ 228,413,393

The detailed requirements to amortize parking revenue bonds outstanding at June 30, are presented in the tabulation that follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2003	1,080,000	4,324,816
2004	1,155,000	4,274,056
2005	1,225,000	4,219,771
2006	1,310,000	4,162,196
2007-2011	8,395,000	19,799,870
2012-2016	11,685,000	17,307,840
2017-2021	15,145,000	13,844,015
2022-2026	19,705,000	9,271,173
2027-2031	21,875,000	3,592,087
Total	\$ 81,575,000	\$ 80,795,824

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B. Changes in Long-Term Obligations:

A summary of changes in general long-term obligations, net of unamortized discounts and premiums, at June 30, are as follows:

	Primary Government			Amounts	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and notes payable:					
General obligation debt	\$ 353,917,150	\$ 57,366,589	\$ 61,678,015	\$ 349,605,724	\$ 32,539,512
Notes	2,754,805	-	457,500	2,297,305	571,184
Capital leases	13,082,767	2,183,756	4,221,984	11,044,539	3,783,218
Total bonds and notes payable	369,754,722	59,550,345	66,357,499	362,947,568	36,893,914
Other liabilities:					
Vested Compensated absences	11,131,175	8,841,096	8,043,952	11,928,319	8,045,000
Retirement System Contribution	-	3,821,000	-	3,821,000	3,821,000
Retiree's life insurance	1,095,000	-	105,000	990,000	110,000
Workers' compensation claims	13,103,640	1,709,019	-	14,812,659	4,120,254
Automobile and general liability claims	1,854,995	-	86,000	1,768,995	807,080
Landfill closure and post-closure costs	6,343,000	-	4,495,175	1,847,825	393,000
Total other liabilities	33,527,810	14,371,115	12,730,127	35,168,798	17,296,334
Governmental activities long-term liabilities	403,282,532	73,921,460	79,087,626	398,116,366	54,190,248
Internal Service Funds					
Capital leases	241,568	-	57,879	183,689	61,358
Vested Compensated absences	280,973	172,368	181,338	272,003	181,400
	522,541	172,368	239,217	455,692	242,758
Total Governmental	<u>\$ 403,805,073</u>	<u>\$ 74,093,828</u>	<u>\$ 79,326,843</u>	<u>\$ 398,572,058</u>	<u>\$ 54,433,006</u>
BUSINESS-TYPE ACTIVITIES:					
Bonds and notes payable:					
Water	\$ 323,872,584	\$ 69,352,561	\$ 75,560,248	\$ 317,664,897	\$ 12,893,139
Wastewater	44,149,493	16,600,528	9,623,341	51,126,680	3,960,161
Parking facilities	103,746,019	2,003,869	12,900,270	92,849,618	4,164,548
Total bonds and notes payable	471,768,096	87,956,958	98,083,859	461,641,195	21,017,848
Compensated absences	889,409	880,712	712,584	1,057,537	712,700
Other	357,547	4,951,745	-	5,309,292	2,700,000
Business-type activities long-term liabilities	<u>\$ 473,015,052</u>	<u>\$ 93,789,415</u>	<u>\$ 98,796,443</u>	<u>\$ 468,008,024</u>	<u>\$ 24,430,548</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
COMPONENT UNITS:					
Bonds and notes payable:					
School Board	\$ 434,149	\$ -	\$ 388,136	\$ 46,013	\$ 46,013
NRHA	97,629,770	1,348,001	34,438,499	64,539,272	5,508,245
CBS	-	-	-	-	-
Total bonds and notes payable	98,063,919	1,348,001	34,826,635	64,585,285	5,554,258
Compensated absences	5,853,358	3,203,104		9,056,462	3,676,855
Other	1,395,659	466,755	34,013	1,828,401	1,046,710
Component Units					
long-term liabilities	<u>\$ 105,312,936</u>	<u>\$ 5,017,860</u>	<u>\$ 34,860,648</u>	<u>\$ 75,470,148</u>	<u>\$ 10,277,823</u>

The City leases a building and certain computer, automotive maintenance, solid waste automation and other heavy equipment, which are recorded at a cost of \$24,961,377. Additions to Capital Leases, in the fiscal year ended June 30, 2002 of \$2,183,756 consist of additional borrowing by the General Fund.

The remaining debt service requirements, including interest at rates varying from 4.37% to 7.26%, will be retired by funds from the General Fund on the aforementioned contracts, as follows:

Year Ending June 30,	General Long-Term Obligations	Internal Service Funds	Totals
2003	4,255,959	70,199	4,326,158
2004	3,647,261	70,200	3,717,461
2005	2,624,333	46,636	2,670,969
2006	1,137,150	12,445	1,149,595
2007	290,879	-	290,879
2008	6,667	-	6,667
Total minimum lease payments	11,962,249	199,480	12,161,729
Less interest	(917,710)	(15,791)	(933,501)
	11,044,539	183,689	11,228,229
Less current portion	(3,783,218)	(61,358)	(3,844,576)
	<u>\$ 7,261,321</u>	<u>\$ 122,331</u>	<u>\$ 7,383,653</u>

The City closed its Campostella landfill site on June 30, 1992. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 30 years after closure. The \$1,847,825 reported as an obligation for landfill closure and post/closure costs, at June 30, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

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The Campostella landfill statistically exceeded groundwater protection standards in May, 2002. Until a remedy for corrective action is chosen and approved, \$1,000,000 is included in the liability for groundwater corrective action.

C. Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City. At June 30, the City's debt limit is \$888,206,378, of which \$424,560,517 is available for creation of additional debt. There are no overlapping tax jurisdictions.

D. Bonds Authorized and Unissued:

A summary of bonds authorized and unissued as of June 30, 2002 follows:

<u>Projects</u>	<u>Total</u>
General obligation bonds authorized and unissued:	
General capital improvement	\$ 7,994,253
Storm Water capital improvement	3,668,840
Wastewater utility development	<u>16,310,207</u>
	<u>27,973,300</u>
Revenue bonds authorized and unissued:	
Water utility development	61,880,996
Parking development	<u>15,223,429</u>
	<u>77,104,425</u>
Total	<u><u>\$ 105,077,725</u></u>

E. Water Fund Liability:

A long-term liability of \$2,609,292 has been recorded in the Water Utility Fund to reflect over-recovery of revenue from a wholesale customer during fiscal years 2000, 2001 and 2002 under water service contracts. A receivable of \$4,383,412 has also been recorded within the Water Utility Fund to reflect the under-recovery of revenue from wholesale customers during the fiscal years 2000, 2001 and 2002 under water sales contracts. Pursuant to the terms of the water contracts, billings to these customers were based on budgeted Water Utility Fund capital and operating expenditures during the fiscal years. The liability and receivable reflect the adjustments to billings based on the difference between budgeted and actual expenditures (capital and operating).

In accordance with the water services contract, the fiscal year 2000 and 2001 portion of the liability will be reduced in fiscal year 2003 through credits to the customer billings. Reductions to billings for the fiscal year 2002 liability will not be made until fiscal year 2005, after the calculation of the fiscal year 2003 adjustment. The receivables for the

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fiscal year 2000 and 2001 rate period are recoverable upon delivery of rate adjustment receivables report to wholesale customers. The report was delivered in February 2002. The fiscal year 2002 receivable will not be recoverable until fiscal year 2005, after presentment of the fiscal year 2002 and 2003 rate adjustment receivables report.

IX. Compensated Absences:

A liability for vested vacation and sick leave benefits is recorded as general long-term obligations. These benefits represent future obligations of the following funds and component units:

Primary government:	
General Fund	\$ 11,693,595
Storm Water Fund	141,877
Grants Fund	<u>92,847</u>
Total primary government	<u>\$ 11,928,319</u>
 Component Unit - School Board	
	<u>\$ 6,180,771</u>
 Component Unit - NRHA	
	<u>\$ 2,283,392</u>
 Component Unit - CSB	
	<u>\$ 592,269</u>

X. Pension Plans:

The City and its component units participate in three defined benefit pension retirement plans. These include the Employees' Retirement System of the City of Norfolk (XI.A); a Virginia Retirement System (VRS) plan administered for the benefit of Norfolk School Board employees (XI.B); and one VRS plan administered for the benefit of state employees in constitutional offices. In addition, the School Board Component Unit has a defined contribution plan.

A. Employees' Retirement System of the City of Norfolk (System):

1. Plan Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers substantially all employees of the City, excluding School Board employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service effective after January 1, 1997. Ad hoc cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The System is established by Section 37 of the Code of the City of Norfolk, Virginia 1979, as

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amended, 1997. The benefit provisions of the plan are also determined by this Code section and may also be amended at the discretion of City Council. The System is included as a Pension Trust Fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Norfolk, VA 23510.

2. Funding Policy

Section 37 of the Code of the City of Norfolk, Virginia, 1979, as amended 1997 established the authority under which the City's obligation to contribute to the plan is established or may be amended. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. There was no contribution requirement to the pension plan for the year ended June 30, 2002, which was based on a (1.89) percent of covered payroll for general employees and 10.6 percent of covered payroll for public safety employees. This negative percentage reduces the amount that would otherwise be required to be contributed.

3. Annual Pension Cost

For 2002, the System's annual pension cost was equal to the City's required and actual contribution of \$0. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the projected unit credit cost method. The amortization method used is level dollar closed. The actuarial assumptions included: (a) 7.5% investment rate of return, compounded annually; (b) projected average salary increases of 5.35%, compounded annually (reflects an assumption of a range of salary increases from 7.6% at age 20 to 4.6% at age 69), and (c) no cost-of-living adjustments. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2002 was a weighted average of 14.7 years.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	\$ -	100%	\$ -
June 30, 2001	-	100%	-
June 30, 2000	-	100%	-

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B. School Board – Retirement Plans:

1. Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55, with at least five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. Employees at age 50 with 30 years of credited service or age 65 with 5 years of credited service are entitled to an annual benefit equal to 1.7% of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's professional and non-professional employees' contribution rates for the year ended June 30, 2002 were 9.24% and 6.98%, respectively, of annual covered payroll. The School Board public school division's contribution rates for the fiscal years ended June 30, 2002, 2001 and 2000 were 6.98%, 12.54% and 14.07%, respectively, of annual covered payroll. Contributions to the VRS for the years ended June 30, 2002, 2001 and 2000 were \$15,963,616, \$21,056,847 and \$23,149,529, respectively - equal to the required contributions for each year.

3. Annual Pension Cost

For 2002, the School Board's annual pension cost of \$14,655,228 for professional employees and \$1,308,388 for non-professional employees was equal to the School Board's required and actual contribution. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial

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cost method. The amortization method used was level dollar closed. The actuarial assumptions included: (a) 8% investment rate of return; (b) projected salary increases that range between 4.5% and 6.1% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is a weighted average of 17.5 years.

Trend information for the School Board is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$ 15,963,616	100%	\$ -
June 30, 2001	\$ 21,056,847	100%	-
June 30, 2000	\$ 23,149,529	100%	-

4. School Board – Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the VRS coverage under Virginia Code Section 51.1-126.6. The School Board will make a fixed contribution equal to 12.54% of the compensation earned by the participant during the plan year. For any plan year commencing after June 30, 2001 in which the participant remains an eligible employee, the School Board will make a fixed plan contribution on behalf of the participant equal to his compensation earned for the plan year multiplied by a percentage equal to the aggregate employer and employee percentage contribution rate that would have applied to the participant for the plan year under VRS had the participant not elected out. For the plan year, the School Board, at its discretion, may contribute to the plan on behalf of the participant such additional amounts, if any, as the School Board elects to contribute as a discretionary plan contribution. The total annual additions made for the participant for any plan year will not exceed the lesser of \$35,000 or 25% of the participants compensation for the plan year. All contributions will be fully vested and nonforfeitable when such plan contributions are made.

The School Board is the administrator of the plan and Teachers Insurance and Annuity Association is the trustee. Contributions for the year ended June 30, 2002 were fixed contributions of \$17,911 and a discretionary contribution of \$15,461.

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C. State Employees – Virginia Retirement System (VRS):

1. Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning limited to 5% per year in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2002 was 1.50 % of annual covered payroll. Contributions to the VRS for the year ended June 30, 2002 were \$ 1,376,803 equal to the required contribution.

3. Annual Pension Cost

For 2002, the City's annual pension cost of \$ 1,376,803 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The amortization method is level percent open. The actuarial assumptions included: (a) 8% investment rate of return; (b) projected salary increases of 4.25% to

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6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period is 12 years.

Trend information for the City VRS plan is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$ 1,376,803	100%	
June 30, 2001	1,466,823	100%	-
June 30, 2000	1,230,511	100%	-

XI. Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral may be up to 25 percent of gross income up to a maximum of \$8,000 per year. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

XII. Interfund Receivable and Payable Balances:

The interfund receivable and payable balances at June 30, are as follows:

	<u>Receivables</u>	<u>Payables</u>
<u>Primary Government:</u>		
General	\$ 1,968,535	\$ 414,705
Capital projects	662	1,772
Nonmajor governmental funds:	420,315	160,193
Internal service funds:	-	5
Total governmental activities	<u>\$ 2,389,512</u>	<u>\$ 576,675</u>
<u>Enterprise:</u>		
Water Utility	\$ 2,244,636	\$ 1,061,750
Wastewater Utility	18,180	2,248,021
Parking Facilities	-	629,094
Total business-type activities	<u>\$ 2,262,816</u>	<u>\$ 3,938,865</u>
<u>Fiduciary: Agency Other</u>	<u>\$ 642</u>	<u>\$ 137,430</u>

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At June 30, the General Fund had a remaining advance receivable of \$2,300,000 to the Parking Facilities Fund, which will be repaid over the next three years.

At June 30, the CSB had payables to the primary government of \$2,981.

XIII. Interfund Transfers:

The following interfund transfers occurred during fiscal year 2002:

<u>Fund Financial Statements</u>	<u>In</u>	<u>Out</u>
<u>Governmental:</u>		
General	\$ 8,591,760	\$ 62,014,515
Nonmajor governmental funds	64,321,385	2,898,630
 <u>Enterprise:</u>		
Water Utility	-	8,000,000
	<u>\$ 72,913,145</u>	<u>\$ 72,913,145</u>

The General Fund also transferred \$83,882,544 to the School Board component unit, \$1,187,422 to the Norfolk Redevelopment and Housing Authority component unit and \$1,827,450 to the Community Services Board component unit during the fiscal year. These amounts are reported as expenditures in the City's financial statements.

XIV. Recovered Costs:

Recovered costs in the General Fund consist of the following:

Employee hospitalization contributions	\$ 113,429
Information systems recoveries	1,243,529
Debt service recoveries	938,747
Administrative cost recoveries from Enterprise Funds	1,321,843
Other	6,390,712
	<u>\$ 10,008,260</u>

XV. Other Liabilities:

Other liabilities, as presented in the *Fund Financial Statements*, consist of the following:

Governmental:	
General Fund - Miscellaneous	\$ 472,747
General Fund - Risk financing liability	4,927,334
Payroll Agency Fund	2,133,425
	<u>7,533,506</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

Other liabilities continued -

Enterprise:

Water Utility Fund - Due to other governments (long-term)	\$ 2,609,292
Water Utility Fund – Due to other governments (current) and miscellaneous	2,751,901
Wastewater Utility Fund - Miscellaneous	<u>331,801</u>
	<u>5,692,994</u>

Internal Service:

Fleet Management Fund – Capital leases	<u>122,331</u>
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Fiduciary:

Pension Trust Fund - Due to broker	36,847,073
Other Agency Funds	1,249,413
Commonwealth of Virginia	<u>6,085</u>
	<u>38,102,571</u>

XVI. Supplemental Appropriations:

The following supplemental appropriations were made to the general fund operating budgets during the fiscal year:

General Fund:

Approved FY 2002-2003 budget	\$ 613,110,746
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Supplemental appropriations from additional revenue:

Reimbursement from the Commonwealth of Virginia for street maintenance projects	534,828
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Supplemental appropriations from general fund fund balance:

Additional risk management reserve for the payment of worker's compensation, claims and other expenses	1,560,000
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To fund the increase of the capital improvement program budget for commercial corridor area improvements	100,000
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Total supplemental appropriations	<u>2,194,828</u>
Final budget	<u><u>\$ 615,305,574</u></u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

XVII. Deferred Revenue:

Deferred revenue at June 30, totaling \$17,399,522 is comprised of the following:

- A. Deferred grant funding:** In the Grants Fund, deferred revenue represents monies accepted from a grantor using an advancement method for payments. The amount is reduced and revenue is recorded when expenditures are incurred in accordance with the grantors' requirements. If expenditures are not incurred, the funds will revert back to the grantors. In the Community Development Fund, the deferred revenue represents deferred payment rehabilitation loans of \$1,112,080. Deferred grant funding reported in the combining financial statements for nonmajor governmental funds at June 30, comprise the following:

Community development	\$ 1,112,080
Storm Water - deferred billings	<u>239,705</u>
Total primary government - Special Revenue Funds	<u><u>\$ 1,351,785</u></u>

- B. Deferred property tax revenue:** Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures at June 30, 2002 is \$14,144,798.
- C. Notes Receivable:** Deferred revenue in the General Fund, representing noncurrent notes receivable not available for funding current expenditures at June 30, 2002, totals \$799,067.
- D. Other:** Certain items in the General Fund, representing prepaid and/or contributed revenue that is not available for funding current expenditures at June 30, 2002, total \$1,103,872.

Norfolk Redevelopment and Housing Authority has deferred various unspent grants of \$4,677,705 at June 30, 2002.

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

XVIII. Segment Information for Enterprise Funds:

CONDENSED STATEMENT OF NET ASSETS

	Business-Type Activities			
	<u>Water</u>	<u>Waste- Water</u>	<u>Parking Facilities</u>	<u>Totals</u>
Assets:				
Current assets	\$ 36,092,661	\$ 1,904,983	\$ 4,217,158	\$ 42,214,802
Internal balances	1,182,886	(2,229,841)	(629,094)	(1,676,049)
Restricted assets	30,368,984	10,809,099	8,735,401	49,913,484
Capital assets, net	<u>429,567,086</u>	<u>96,175,356</u>	<u>125,664,780</u>	<u>651,407,222</u>
Total assets	<u>497,211,617</u>	<u>106,659,597</u>	<u>137,988,245</u>	<u>741,859,459</u>
Liabilities:				
Current liabilities	22,599,671	5,802,005	4,891,083	33,292,759
Current liabilities payable from restricted assets	-	-	2,033,238	2,033,238
Noncurrent liabilities	<u>307,381,050</u>	<u>47,166,519</u>	<u>90,985,070</u>	<u>445,532,639</u>
Total liabilities	<u>329,980,721</u>	<u>52,968,524</u>	<u>97,909,391</u>	<u>480,858,636</u>
Net assets:				
Invested in capital assets, net of related debt	73,162,500	18,577,724	32,615,847	124,356,071
Restricted	29,380,416	10,778,560	6,702,163	46,861,139
Unrestricted	<u>64,687,980</u>	<u>24,334,789</u>	<u>760,844</u>	<u>89,783,613</u>
Total net assets	<u>\$ 167,230,896</u>	<u>\$ 53,691,073</u>	<u>\$ 40,078,854</u>	<u>\$ 261,000,823</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Business-Type Activities			Totals
	Water	Waste- Water	Parking Facilities	
Operating revenues (expenses):				
Operating revenues	\$ 62,832,219	\$ 13,534,728	\$ 18,354,513	\$ 94,721,460
Depreciation expense	(9,388,706)	(1,611,142)	(2,675,996)	(13,675,844)
Other operating expenses	(29,021,458)	(8,429,215)	(7,309,883)	(44,760,556)
Operating income (loss)	<u>24,422,055</u>	<u>3,494,371</u>	<u>8,368,634</u>	<u>36,285,060</u>
Nonoperating revenues (expenses):				
Interest income, net of interest capitalized	849,446	17,874	73,212	940,532
Interest expense and fiscal charges	(15,301,409)	(1,271,245)	(4,308,811)	(20,881,465)
Other nonoperating revenue (expenses)	(7,584,968)	(67,533)	(3,619)	(7,656,120)
Capital contributions	<u>70,510</u>	<u>284,077</u>	<u>-</u>	<u>354,587</u>
Change in net assets	2,455,634	2,457,544	4,129,416	9,042,594
Beginning net assets	<u>164,775,262</u>	<u>51,233,529</u>	<u>35,949,438</u>	<u>251,958,229</u>
Ending net assets	<u>\$ 167,230,896</u>	<u>\$ 53,691,073</u>	<u>\$ 40,078,854</u>	<u>\$ 261,000,823</u>

CONDENSED STATEMENT OF CASH FLOWS

	Business-Type Activities			Totals
	Water	Waste- Water	Parking Facilities	
Net cash provided (used) by:				
Operating activities	\$ 28,159,316	\$ 5,707,775	\$ 8,524,047	\$ 42,391,138
Noncapital financing activities	(8,000,000)	-	-	(8,000,000)
Capital and related financing activities	(34,341,068)	492,701	(18,942,822)	(52,791,189)
Investing activities	<u>5,939,392</u>	<u>(6,226,458)</u>	<u>7,636,845</u>	<u>7,349,779</u>
Net increase (decrease)	(8,242,360)	(25,982)	(2,781,930)	(11,050,272)
Beginning cash and cash equivalents	<u>34,235,233</u>	<u>65,617</u>	<u>6,614,175</u>	<u>40,915,025</u>
Ending cash and cash equivalents	<u>\$ 25,992,873</u>	<u>\$ 39,635</u>	<u>\$ 3,832,245</u>	<u>\$ 29,864,753</u>

XIX. Commitments and Contingencies:

A. Capital Projects:

Commitments for completion of capital projects, authorized at June 30, are as follows:

Water utility development projects	\$ 11,789,637
Wastewater utility development projects	1,948,493
Parking facilities development projects	<u>689,000</u>
	<u>\$ 14,427,130</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

B. Federal Grant Programs:

Federal programs in which the City participates were audited in accordance with the provisions of the Single Audit Act Amendment of 1996 (the Act). Pursuant to the provisions of the Act, all major programs and certain other programs were tested for compliance with applicable grant requirements. Additionally, the federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of certain grant program expenditures, if any, would be immaterial.

XX. Litigation:

The City is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City Attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the City's financial condition.

XXI. Surety Bonds and Insurance:

<u>Surety</u>	<u>Official</u>	<u>Amount</u>
Commonwealth of Virginia	Sharon McDonald, Commissioner of the Revenue	\$ 10,000
	Thomas W. Moss, Jr., City Treasurer	3,000,000
	Robert J. McCabe, Sheriff	30,000
	Albert Teich, Jr., Clerk of the Circuit Court	2,235,000
State Farm Fire and Casualty Company	Thomas W. Moss, Jr., City Treasurer	200,000
Commonwealth of Virginia	All employees of the City Treasurer, Sheriff, Commissioner of the Revenue, Commonwealth Attorney and Clerk of Court	
	Performance of Duty Bond	500,000
City of Norfolk		
Fidelity and Deposit Company	All City employees	100,000

XXII. Protected Self-insurance and Purchased Programs:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. On July 11, 1978, the City established a protected self-insurance program Fund, pursuant to an ordinance adopted by City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2002 was \$ 7,083,789.

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
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The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The City has adopted Governmental Accounting Standards Board Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10). At June 30, the amount of these liabilities, calculated under GASB 10, was \$16,581,654, of which \$4,927,334 is reported as a current liability in the General Fund and \$11,654,320, is reported as a long-term liability. Liabilities are reported at their present value, using the expected future investment yield assumption of five (5) percent. These liabilities are the City's best estimate based on currently available information.

Changes in the City's claims liability amount in the fiscal years 2000 through 2002 is as follows:

	Unpaid Claims Beginning Fiscal-year	Incurred Claims and Changes in Estimates	Claims Payments	Unpaid Claims End of Fiscal-year
2000	12,764,000	5,486,778	(4,648,778)	13,962,000
2001	13,962,000	3,886,110	(3,889,475)	14,958,635
2002	14,958,635	7,295,386	(5,672,367)	16,581,654

The City has designated \$1,940,000 of fund equity to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the Program and its projected present value (5%) liability at June 30, 2002 was \$1,095,257. It also provides payments for its risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City fund balance designation.

XXIII. Jointly Governed Organizations:

A. Hampton Roads Regional Jail Authority (HRRJA):

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the Authority, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2002. Complete financial statements of HRRJA can be obtained from HRRJA.

- B. Hampton Roads Planning District Commission (the Commission)**, a regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the Counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2002. Complete financial statements of the Commission can be obtained from the Commission.

- C. Tidewater Transportation District Commission (TTDC)**, a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia. TTDC provides public transportation facilities and services within the Cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TTDC rests with professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2002. Complete financial statements of TTDC can be obtained from TTDC.

XXIV. Joint Venture:

Southeastern Public Service Authority (SPSA):

SPSA is a joint venture of the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

In fiscal years 1990 and 1994, the City guaranteed \$12,514,500 (54 percent of \$23,175,000) in refunding bonds, and interest thereon, issued by the SPSA. Under the guaranty agreements, the City has agreed to make payments to the trustees for deposit in reserve accounts, if necessary, to maintain in such accounts the sums of the amounts of interest due on the next succeeding interest payment dates for the bonds and the amounts required to pay principal of all the bonds maturing on the next July 1. The City's allocable portion of the outstanding balance from the \$23,175,000 Guaranteed Subordinated Revenue Refunding Bonds, Series 1989 and the \$10,485,000, Guaranteed Subordinated Revenue Refunding Bonds, Series 1993 (refunding bonds) remains at 54 percent, with the remaining balance being due from neighboring localities as follows: Chesapeake - 23 percent; Franklin - 2 percent; and Portsmouth - 21 percent. Should SPSA perform any act that constitutes default under the bond indenture, the entire bond principal could be considered due, and the City would be liable for its allocable portion of the outstanding balances of the bonds at June 30. The participating governments do not have an equity interest in the joint venture and, accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2002. Complete financial statements of SPSA can be obtained from SPSA.

XXV. Related Organizations:

A. Norfolk Airport Authority, a political subdivision of the Commonwealth, was created to operate an airport and to promote industrial growth and consists of both an Airport Fund and an Investment Fund. The Airport Fund was established by the Authority to account for the operations of the Norfolk International Airport (the Airport). Revenue generated by airport operations is used to meet all operating expenses and to provide for payment of all principal and interest on debt of the Authority related to the Airport. The Investment Fund was established by the Authority to provide for certain airport capital improvements. The Authority finances individual capital projects by issuing bonds or obtaining loans and intergovernmental grants in its own name and concurrently entering into leases which provide for payment of all principal and interest on the related obligations as they become due. Revenue includes rental income on non-airport property owned by the Authority and interest on investments. The Authority's Commissioners are appointed by City Council but the Commission designates its own management and has oversight responsibility for its own fiscal matters. The City does not provide funds for the operations of the Authority and, pursuant to Section 144(q) of the City Charter, the Authority is required to submit its annual budget to the City Council for the purposes of information only. The City of Norfolk has the option to reacquire, without consideration, title to all property and

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

equipment after payment by the Authority of all obligations relating to the improvements at the Airport.

B. The Economic Development Authority of the City of Norfolk (The Authority), a political subdivision of the Commonwealth of Virginia, was created by ordinance of the City of Norfolk in 1972, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Title 15.1, Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or remain in the City and further the use of the Commonwealth's agricultural and natural resources. The Authority is empowered by the Commonwealth to authorize industrial development bonds and confer tax-exempt status on interest paid to financial institutions. The Authority acts as an intermediary between financial institutions and borrowers; it has no responsibility for borrowers' debt. Although Commissioners are appointed by City Council, the Commission designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to borrowers.

C. The Chrysler Museum, Inc. (the Museum), a Virginia non-stock, not-for-profit organization, was formed on January 1, 1980 by incorporating the Chrysler Museum at Norfolk. The main purpose of the Museum is the advancement, encouragement and promotion of the study and appreciation of art. The Museum designates its own management, which is self-sustaining, maintains its own books of account, engages its own independent accountant, and receives its revenue from administrative fees charged to visitors and from other independent grants.

XXVI. Adjustment to Beginning Net Assets and Fund Balances:

The beginning fund balance in the fund financial statements has been adjusted in order to recognize grant and other revenues that had previously been deferred due to purpose restrictions. Governmental Accounting Standards Board (GASB) Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* requires grant revenues with purpose restrictions to be recognized as revenue and shown as restricted net assets.

Adjustment to beginning fund balance was calculated as follows:

Balance June 30, 2001	\$ -
Grant revenues recognized and classified as restricted net assets	<u>15,022,757</u>
Balance July 1, 2001	<u>\$ 15,022,757</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2002

XXVII. Subsequent Events:

On October 30, 2002, the City issued \$74,490,000 in General Obligation Capital Improvement and Refunding Bonds, Series 2002B. Taking advantage of low interest rates, the City refunded \$39,890,000 in Capital Improvement Bonds issued in 1993, 1994, and 1995. Approximately \$2,669,000 in present value savings will be realized as a result of this refunding. The remaining \$34.6 million will be used to fund cashflow needs for the City's capital improvement projects.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Retirement Plans - UNAUDITED

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of covered payroll
CITY - EMPLOYEES RETIREMENT SYSTEM						
June 30, 2000	\$ 826,400,000	\$ 628,200,000	\$ (198,200,000)	131.6%	\$ 129,900,000	-152.6%
June 30, 2001	838,100,000	742,600,000	(95,500,000)	112.9%	144,200,000	-66.2%
June 30, 2002	798,100,000	784,700,000	(13,400,000)	101.7%	150,700,000	-8.9%
CITY - VRS EMPLOYEES						
June 30, 1999	\$ 18,130,796	\$ 15,627,179	\$ (2,503,617)	116.0%	\$ 16,921,005	-14.8%
June 30, 2000	21,754,238	15,347,849	(6,406,389)	141.7%	17,288,619	-37.1%
June 30, 2001	25,266,967	18,096,180	(7,170,787)	139.6%	18,449,050	-38.9%
SCHOOL BOARD COMPONENT UNIT - VRS NON-PROFESSIONAL EMPLOYEES						
June 30, 1999	\$ 43,391,826	\$ 43,742,383	\$ 350,557	99.2%	\$ 11,918,607	2.9%
June 30, 2000	49,502,443	42,050,777	(7,451,666)	117.7%	11,993,455	-62.1%
June 30, 2001	53,531,426	45,658,667	(7,872,759)	117.2%	12,481,590	-63.1%

**REQUIRED SUPPLEMENTARY
INFORMATION**
*(OTHER THAN MANAGEMENT'S
DISCUSSION & ANALYSIS)*

CITY OF NORFOLK, VIRGINIA
Schedule of Revenue, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-1

	Original Budget	Final Budget	Actual	Positive (negative) Variance
Revenue from local sources:				
General property taxes:				
Real property taxes	\$112,676,443	\$112,676,443	\$ 113,121,739	\$ 445,296
Real and personal public service corporation property taxes	9,429,180	9,429,180	9,742,478	313,298
Personal property taxes	33,000,000	33,000,000	26,753,879	(6,246,121)
Mobile home taxes	30,954	30,954	16,665	(14,289)
Machinery and tools taxes	6,773,286	6,773,286	6,919,074	145,788
Penalties and interest	2,335,804	2,335,804	2,624,158	288,354
Total general property taxes	<u>164,245,667</u>	<u>164,245,667</u>	<u>159,177,993</u>	<u>(5,067,674)</u>
Other local taxes:				
Local sales and use taxes	26,875,275	26,875,275	25,545,025	(1,330,250)
Consumers' utility taxes	37,906,250	37,906,250	39,094,123	1,187,873
Business license taxes	17,593,138	17,593,138	18,644,013	1,050,875
Franchise license taxes	1,700,000	1,700,000	1,772,930	72,930
Cable television franchise taxes	1,600,000	1,600,000	1,680,831	80,831
Motor vehicle license taxes	3,383,144	3,383,144	3,635,347	252,203
Bank stock taxes	1,100,000	1,100,000	1,248,786	148,786
Recordation and wills taxes	647,800	647,800	866,937	219,137
Tobacco taxes	3,900,000	3,900,000	4,279,719	379,719
Admission and amusement taxes	3,250,000	3,250,000	3,949,356	699,356
Hotel and motel room taxes	4,500,000	4,500,000	4,928,271	428,271
Restaurant food taxes	18,848,000	18,848,000	19,287,924	439,924
Estate probate taxes	35,100	35,100	33,315	(1,785)
Emergency 911 taxes	4,045,105	4,045,105	3,814,449	(230,656)
Short term rental tax	150,000	150,000	173,166	23,166
Total other local taxes	<u>125,533,812</u>	<u>125,533,812</u>	<u>128,954,192</u>	<u>3,420,380</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	41,800	41,800	54,031	12,231
Permits and other licenses	3,347,786	3,347,786	2,645,711	(702,075)
Total permits, privilege fees and regulatory licenses	<u>3,389,586</u>	<u>3,389,586</u>	<u>2,699,742</u>	<u>(689,844)</u>
Fines and forfeitures	<u>1,583,433</u>	<u>1,583,433</u>	<u>1,548,657</u>	<u>(34,776)</u>
Use of money and property				
Use of money	3,850,600	3,850,600	2,589,736	(1,260,864)
Use of property	5,385,433	5,385,433	5,641,269	255,836
Total use of money and property	<u>\$ 9,236,033</u>	<u>\$ 9,236,033</u>	<u>\$ 8,231,005</u>	<u>\$ (1,005,028)</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenue, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (negative) Variance</u>
Revenue from local sources (continued):				
Charges for services:				
Information system charges	\$ 7,200	\$ 7,200	\$ 6,200	\$ (1,000)
Court costs	121,372	121,372	126,405	5,033
High constable fees	510,000	510,000	465,187	(44,813)
Charges for:				
Law enforcement and traffic control	320,116	319,616	292,093	(27,523)
Fire and rescue services	1,837,039	1,837,039	1,527,491	(309,548)
Correction and detention	159,981	159,981	118,675	(41,306)
Other protection	54,500	54,000	75,316	21,316
Maintenance of highways, streets, bridges and sidewalks	234,000	234,000	62,637	(171,363)
Sanitation and waste removal	8,110,988	8,110,988	7,057,616	(1,053,372)
Parks and recreation	1,465,075	1,465,075	1,283,177	(181,898)
Library	72,875	72,875	106,575	33,700
Planning and community development	24,526	24,526	32,229	7,703
Education	2,712,500	2,712,500	2,905,150	192,650
Insurance	150,000	150,000	100,000	(50,000)
Total charges for services	<u>15,780,172</u>	<u>15,779,172</u>	<u>14,158,751</u>	<u>(1,620,421)</u>
Miscellaneous:				
Payment in lieu of taxes from other localities/authorities	3,969,817	3,969,817	3,885,803	(84,014)
Miscellaneous	475,916	476,916	722,407	245,491
Total miscellaneous	<u>4,445,733</u>	<u>4,446,733</u>	<u>4,608,210</u>	<u>161,477</u>
Recovered costs:				
Courts	279,818	279,818	162,479	(117,339)
Maintenance of general buildings and grounds	1,419,186	1,419,186	1,347,775	(71,411)
Parks and recreation	8,974	8,974	5,236	(3,738)
General services	7,966,838	7,966,838	8,803,207	836,369
General administration	300,000	300,000	278,092	(21,908)
Total recovered costs	<u>9,974,816</u>	<u>9,974,816</u>	<u>10,596,790</u>	<u>621,974</u>
Total revenue from local sources	<u>\$334,189,252</u>	<u>\$334,189,252</u>	<u>\$329,975,340</u>	<u>\$ (4,213,912)</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenue, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (negative) Variance</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 594,210	\$ 594,210	\$ 637,182	\$ 42,972
Wine taxes	351,728	351,728	330,402	(21,326)
Rolling stock taxes	181,298	181,298	171,214	(10,084)
Mobile home titling taxes	25,000	25,000	15,051	(9,949)
Rental of passenger car taxes	2,400,000	2,400,000	2,528,346	128,346
Local law enforcement	13,237,135	13,237,135	12,085,429	(1,151,706)
Grantors' tax on deeds	213,500	213,500	323,023	109,523
Commonwealth of Va. Special Rev.	49,188	49,188	-	(49,188)
State share - personal property taxes	7,682,000	7,682,000	15,144,570	7,462,570
Total noncategorical aid	<u>24,734,059</u>	<u>24,734,059</u>	<u>31,235,218</u>	<u>6,501,159</u>
Shared expenses:				
Commonwealth's Attorney	2,131,555	2,131,555	2,078,557	(52,998)
City Sheriff	13,349,444	13,349,444	13,381,408	31,964
Commissioner of the Revenue	611,772	611,772	599,508	(12,264)
City Treasurer	634,700	634,700	587,875	(46,825)
Medical Examiner	5,900	5,900	6,000	100
Registrar/Electoral Board	80,537	80,537	-	(80,537)
Total shared expenses	<u>16,813,908</u>	<u>16,813,908</u>	<u>16,653,347</u>	<u>(160,561)</u>
Public assistance:				
Public assistance grants	14,451,438	14,451,438	13,398,892	(1,052,546)
Social services administration	16,907,004	16,907,004	18,668,933	1,761,929
Total public assistance	<u>31,358,442</u>	<u>31,358,442</u>	<u>32,067,825</u>	<u>709,383</u>
Education:				
State sales tax	27,980,568	27,980,568	26,206,115	(1,774,453)
State school funds	125,697,300	125,697,300	122,356,469	(3,340,831)
Total education	<u>153,677,868</u>	<u>153,677,868</u>	<u>148,562,584</u>	<u>(5,115,284)</u>
Other categorical aid:				
Street construction and maintenance	14,557,442	15,092,270	15,681,562	589,292
Group life insurance	39,300	39,300	24,083	(15,217)
Retirement - other state employees	37,900	37,900	40,234	2,334
Social security - other state employees	318,520	318,520	307,157	(11,364)
State library grant	1,881,037	1,881,037	1,895,764	14,727
Juvenile facilities	1,818,974	1,818,974	1,804,356	(14,618)
Local adult correctional facilities	4,145,000	4,145,000	4,050,448	(94,552)
Recordation tax	690,217	690,217	578,603	(111,614)
Total other categorical aid	<u>23,488,390</u>	<u>24,023,218</u>	<u>24,382,205</u>	<u>358,987</u>
Total revenue from the Commonwealth	<u>\$250,072,667</u>	<u>\$250,607,495</u>	<u>\$252,901,179</u>	<u>\$ 2,293,684</u>

CITY OF NORFOLK, VIRGINIA
Schedule of Revenue, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (negative) Variance</u>
Revenue from the federal government:				
Categorical aid for education	\$ 5,480,000	\$ 5,480,000	\$ 7,189,223	\$ 1,709,223
Categorical aid - other	88,827	88,827	69,980	(18,847)
Total revenue from the federal government	<u>5,568,827</u>	<u>5,568,827</u>	<u>7,259,203</u>	<u>1,690,376</u>
Total revenue	<u>589,830,746</u>	<u>590,365,574</u>	<u>590,135,722</u>	<u>(229,852)</u>
Other financing sources:				
Proceeds from sale of land	750,000	750,000	160,468	(589,532)
Rollover from last year	14,530,000	16,190,000	16,290,000	100,000
Operating transfer from utility funds	8,000,000	8,000,000	8,000,000	-
Total other financing sources	<u>23,280,000</u>	<u>24,940,000</u>	<u>24,450,468</u>	<u>(489,532)</u>
Total revenue and other financing sources	<u>\$613,110,746</u>	<u>\$615,305,574</u>	<u>\$614,586,190</u>	<u>\$ (719,384)</u>



CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-2

Function, Activity and Element	Original Budget	Final Budget	Actual	Positive (negative) Variance
General government administration:				
Legislative:				
City Council	\$ 277,691	\$ 288,630	\$ 286,724	\$ 1,906
City Clerk	698,725	763,359	759,367	3,992
Total legislative	976,416	1,051,989	1,046,090	5,899
General and financial administration:				
City Manager	1,049,290	1,145,972	1,139,118	6,854
Office of Budget and Management	663,458	739,600	695,420	44,180
Human Resources	2,946,907	3,168,999	3,133,586	35,413
City Attorney	2,309,068	2,611,260	2,582,326	28,934
External auditor	205,000	205,000	205,500	(500)
City Auditor	382,543	336,236	336,194	42
Commissioner of the Revenue	2,297,609	2,633,373	2,550,444	82,929
City Real Estate Assessor	1,118,552	1,257,888	1,247,697	10,191
City Treasurer	1,680,067	1,939,715	1,844,774	94,941
Director of Finance	453,279	526,728	510,165	16,563
City Controller	855,190	914,557	911,399	3,158
Retirement administration	300,385	345,489	285,769	59,720
Purchasing Agent	353,540	412,882	408,541	4,341
Membership and dues	56,116	56,116	56,116	-
Records management	142,956	151,641	151,350	291
System development support	930,000	962,250	944,538	17,712
Information Systems	5,594,054	6,196,439	5,984,972	211,467
Indirect costs - storehouse	139,160	139,160	107,015	32,145
Operational savings	250,000	250,000	250,000	-
Gainsharing	741,000	593,397	527,548	65,849
Municipal Parking	1,317,600	1,317,600	1,346,200	(28,600)
Total general and financial administration	23,785,774	25,904,302	25,218,672	685,630
Board of Elections:				
Electoral Board and officials	93,841	98,143	92,350	5,793
Registrar	400,058	418,401	393,704	24,697
Total board of elections	493,899	516,544	486,054	30,490
Total general government administration	\$ 25,256,089	\$ 27,472,835	\$ 26,750,817	\$ 722,018
Judicial administration:				
Courts:				
Circuit Court	\$ 876,809	\$ 881,204	\$ 829,757	\$ 51,447
Juvenile and Domestic Relations Court	96,168	96,168	74,481	21,687
District Court	683,796	732,063	714,454	17,609
City Sheriff	1,769,167	1,844,932	1,832,936	11,996
Total courts	3,425,940	3,554,367	3,451,627	102,740
Commonwealth's Attorney	3,679,303	3,707,511	3,668,141	39,370
Total judicial administration	7,105,243	7,261,878	7,119,768	142,110
Public safety:				
Law enforcement and traffic control:				
Department of Police	42,623,120	45,616,792	45,153,918	462,874
City Sheriff	23,227,446	24,120,544	23,951,139	169,405
Total law enforcement and traffic control	65,850,566	69,737,336	69,105,057	632,279

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-2

	Original Budget	Final Budget	Actual	Positive (negative) Variance
Fire and paramedical services:				
Department of Fire and Paramedical Services	24,242,086	26,760,039	26,759,375	664
Correction and detention - probation office	159,845	159,845	153,920	5,925
Other protection:				
Civil Emergency Services	3,658,514	4,039,278	4,064,855	(25,577)
Radio and electronics	326,341	364,890	339,375	25,515
Community service programs	-	-	-	-
Norfolk interagency consortium	-	-	-	-
Total other protection	3,984,855	4,404,168	4,404,230	(62)
Total public safety	\$ 94,237,352	\$ 101,061,388	\$ 100,422,582	\$ 638,806
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Administration	\$ 616,661	\$ 627,296	\$ 628,883	\$ (1,587)
Highways, streets, bridges and sidewalks	4,363,393	8,586,293	8,577,871	8,422
Street lights	7,320,857	4,082,000	4,314,174	(232,174)
Bureau of Design	1,581,244	1,644,836	1,610,512	34,324
Traffic engineering	2,336,224	2,597,404	2,597,702	(298)
Surveys	658,966	696,677	684,632	12,045
Total maintenance of highways, streets, bridges and sidewalks	16,877,345	18,234,506	18,413,774	(179,268)
Sanitation and waste removal - refuse collection	11,957,278	12,484,158	11,918,549	565,609
Maintenance of general buildings and grounds	12,358,806	12,640,324	12,732,644	(92,320)
Total public works	41,193,429	43,358,988	43,064,967	294,021
Public health and assistance:				
Public health:				
Local Health Department	3,152,616	3,152,616	3,085,032	67,584
Supplement of local health department	1,234,649	1,334,567	1,345,934	(11,367)
Vector control	533,788	581,637	513,489	68,148
Medical Center Planning Board	1,700	1,700	1,412	288
Total public health	4,922,753	5,070,520	4,945,867	124,653
Mental Health and Mental Retardation	1,878,981	1,878,981	1,878,981	-
Public assistance:				
Public assistance - social services	41,893,022	42,573,391	41,750,770	822,621
State and local hospitalization	123,000	123,000	80,118	42,882
Foster homes	7,003,147	7,474,995	7,350,142	124,853
Total public assistance	49,019,169	50,171,386	49,181,030	990,356
Total public health and assistance	\$ 55,820,903	\$ 57,120,887	\$ 56,005,878	\$ 1,115,009

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-2

	Original Budget	Final Budget	Actual	Positive (negative) Variance
Education	\$ 245,758,912	\$ 245,758,912	\$ 245,007,747	\$ 751,165
Parks, recreation and cultural enrichment:				
Parks and recreation:				
Administration	249,140	282,079	273,476	8,604
Recreation centers and playgrounds	4,241,301	4,494,539	4,463,189	31,350
Parks and Forestry	5,355,944	5,676,661	5,618,702	57,959
Cemeteries	2,340,949	2,468,004	2,061,470	406,534
Total parks and recreation	12,187,334	12,921,283	12,416,836	504,447
Cultural enrichment:				
Museums	2,520,484	2,584,644	2,608,472	(23,828)
Convention Center	3,372,390	3,643,607	3,624,915	18,692
Zoo	2,352,606	2,556,694	2,395,493	161,201
Metropolitan Park	279,162	259,326	254,438	4,888
Festevents	1,084,928	1,084,928	1,104,928	(20,000)
Friends of Fred Heutte	15,000	15,000	15,000	-
Norfolk Botanical Garden Society	995,000	995,000	995,000	-
Maritime Center	500,000	500,000	500,000	-
Total cultural enrichment	11,119,570	11,639,199	11,498,246	140,953
Library administration	5,085,221	5,362,333	5,366,809	(4,476)
Total parks, recreation and cultural enrichment	28,392,125	29,922,815	29,281,891	640,924
Community development:				
Director of City Planning	92,208	225,049	215,199	9,850
Community development	14,051,321	14,385,000	14,250,341	134,659
Communications and marketing	4,774,912	4,857,415	4,297,787	559,628
Chamber of Commerce	8,000	8,000	8,000	-
Innovative Group	5,000	5,000	5,000	-
Total community development	\$ 18,931,441	\$ 19,480,464	\$ 18,776,328	\$ 704,136

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures, Budget and Actual
General Fund
For the Year Ended June 30, 2002

Exhibit E-2

	Original Budget	Final Budget	Actual	Positive (negative) Variance
General services:				
Contingent fund	\$ 12,262,096	\$ 3,161,323	\$ 104,569	\$3,056,754
Workers' compensation and medical expenses	5,497,000	7,057,000	7,083,789	(26,789)
Industrial Commission of Virginia	57,000	57,000	55,197	1,803
Medical College of Hampton Roads	591,557	591,557	591,557	-
Refunds chargeable to appropriations	800,000	800,000	508,141	291,859
Tidewater Transportation District Commission	4,118,780	4,118,780	4,118,780	-
Hospital insurance	2,557,000	63,076	-	63,076
Special purpose appropriation	1,591,603	1,578,239	1,363,271	214,968
Retirement benefit reserve	146,980	146,980	105,000	41,980
Unemployment compensation	62,000	62,000	62,000	-
NRHA administrative support	1,262,117	1,299,617	1,299,617	-
Total general services	<u>28,946,133</u>	<u>18,935,572</u>	<u>15,291,922</u>	<u>3,643,650</u>
Debt service:				
Principal retirement of capital leases and				
General obligation bonds	37,874,606	48,093,158	47,214,339	878,819
Interest	19,025,989	5,026,114	4,956,034	70,080
Fiscal charges	750	828,750	828,500	250
Bond issuance costs	425,000	744,039	744,038	1
Operating transfer to CIP	10,142,774	10,239,774	10,239,774	-
Total debt service	<u>67,469,119</u>	<u>64,931,835</u>	<u>63,982,685</u>	<u>949,150</u>
Total expenditures and other financing uses	<u>\$613,110,746</u>	<u>\$615,305,574</u>	<u>\$605,704,586</u>	<u>\$9,600,988</u>

CITY OF NORFOLK, VIRGINIA
Notes to Required Supplementary Information
Reconciliation of (non-GAAP) Budgetary Basis to GAAP
June 30, 2002

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from the Budget to Actual Comparison Statement	\$ 614,586,190
Differences--budget to GAAP:	
The effects of accounting for School Revenue as a Component Unit	(159,035,034)
The effects of accounting for revenue on a modified accrual basis	(15,633,925)
Proceeds from capital leases	(2,183,756)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(8,591,760)
The proceeds from the sale of the land are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(160,468)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 428,981,247</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budget to Actual Comparison Statement	\$ 605,704,586
Differences--budget to GAAP:	
The effects of accounting for School Revenue as a Component Unit	(161,119,203)
The effects of accounting for expenditures on a modified accrual basis	(3,151,533)
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	2,705,550
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(61,492,954)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	<u>\$ 382,646,446</u>

There were no material violations of the annual appropriated budget for the General Fund for the fiscal year ended June 30, 2002. In addition, there were no excesses of budgetary expenditures for the period.



Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The individual special revenue funds are:

Storm Water Fund – to account for the operations of the City owned storm water management system

Grants Fund – to account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and the City matching funds and to finance special programs which may have reporting periods, not corresponding to the City's fiscal year

Community Development Fund – to account for all entitlement funds received under Title 1 of the *Housing and Community Development Act of 1974*

Nauticus – to account for revenues and expenditures associated with National Maritime Center and USS Wisconsin

Expendable Trust Fund – to account for monies held by the City of Norfolk as a trustee

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources used in the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by the proprietary funds and trust funds).

Permanent Fund

The Permanent funds are used to report resources that are legally restricted to the extent that only earning, not principal, may be used for purposes that support the reporting government's programs. The City's permanent fund (non-expendable trust) is used to account for the perpetual care and endowed care at certain City-owned cemeteries.

CITY OF NORFOLK, VIRGINIA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2002

Exhibit F-1

	Special Revenue Funds						Debt Service	Permanent Funds	Nonmajor Governmental Funds
	Storm Water	Grants	Community Development	Nauticus	Trust & Agency	Total Special Revenue	Debt Service Fund	Cemetery Funds	
ASSETS									
Cash and cash equivalents	\$ 1,483,787	\$ 3,599,322	\$ 464,840	\$ 137,855	\$ 218,261	\$ 5,904,065	\$ -	\$ 4,799,427	\$ 10,703,492
Investments	-	-	-	-	-	-	-	-	-
Receivables, net	1,010,767	1,613,632	1,112,080	89,477	-	3,825,956	-	779,272	4,605,228
Due from other funds	4,341	411,363	-	442	1,667	417,813	-	2,502	420,315
Receivable from component unit	-	-	-	-	-	-	-	-	-
Receivable from other governments	-	6,071,254	-	-	-	6,071,254	-	-	6,071,254
									-
Total assets	\$ 2,498,895	\$ 11,695,571	\$ 1,576,920	\$ 227,774	\$ 219,928	\$ 16,219,088	\$ -	\$ 5,581,201	\$ 21,800,289
LIABILITIES									
Vouchers/Accounts payable	\$ 54,889	\$ 853,155	\$ 121,818	\$ 66,955	\$ 7,766	1,104,583	\$ -	\$ -	\$ 1,104,583
Employee withholdings	-	-	-	-	-	-	-	-	-
Contract retainage	-	271,653	-	(6,236)	-	265,417	-	-	265,417
Accrued payroll	48,558	55,287	-	38,036	-	141,881	-	-	141,881
Due to other funds	228	1,168	-	156,489	2,308	160,193	-	-	160,193
Due to other primary government/ component units	-	2,630	343,022	-	-	345,652	-	-	345,652
Deferred revenue	239,705	-	1,112,080	-	-	1,351,785	-	-	1,351,785
Other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	343,380	1,183,893	1,576,920	255,244	10,074	3,369,511	-	-	3,369,511
FUND BALANCES									
Reserved for:									
Encumbrances	356,765	2,111,926	-	-	-	2,468,691	-	-	2,468,691
Perpetural care	-	-	-	-	-	-	-	5,581,201	5,581,201
Capital projects	-	-	-	-	-	-	-	-	-
Other	1,683,676	-	-	-	-	1,683,676	-	-	1,683,676
Special revenue		7,443,065				7,443,065	-	-	7,443,065
Unreserved:									
Designated	-	956,687	-	-	-	956,687	-	-	956,687
Undesignated	115,074	-	-	(27,470)	209,854	297,458	-	-	297,458
Total fund balances	2,155,515	10,511,678	-	(27,470)	209,854	12,849,577	-	5,581,201	18,430,778
Total liabilities and fund balances	\$ 2,498,895	\$ 11,695,571	\$ 1,576,920	\$ 227,774	\$ 219,928	\$ 16,219,088	\$ -	\$ 5,581,201	\$ 21,800,289

CITY OF NORFOLK, VIRGINIA

Exhibit F-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2002**

	Special Revenue Funds						Debt Service	Permanent Funds	Total Nonmajor Governmental Funds
	Storm Water	Grants	Community Development	Nauticus	Trust & Agency	Total Special Revenue	Debt Service Fund	Cemetery Funds	
REVENUES									
Use of money and property	\$ 59,378	\$ 93,199	\$ 74,577	\$ 2,930,120	\$ 2,395	\$ 3,159,669	\$ -	\$ 283,737	\$ 3,443,406
Charges for services	7,182,894	-	-	217,131	-	7,400,025	-	146,360	7,546,385
Miscellaneous	22,727	7,457,360	63,849	-	191,392	7,735,328	-	-	7,735,328
Intergovernmental:									
Commonwealth of Virginia	-	10,592,878	-	-	-	10,592,878	-	-	10,592,878
Federal government	-	9,728,796	7,432,839	-	-	17,161,635	-	-	17,161,635
Total revenue	\$ 7,264,999	\$ 27,872,233	\$ 7,571,265	\$ 3,147,251	\$ 193,787	\$ 46,049,535	\$ -	\$ 430,097	\$ 46,479,632
EXPENDITURES									
General government administration	\$ -	\$ 1,394,204	\$ 218,945	\$ -	\$ 184,612	1,797,761	\$ -	\$ -	\$ 1,797,761
Judicial administration	-	1,559,609	-	-	-	1,559,609	-	-	1,559,609
Public safety	-	3,064,235	222,655	-	-	3,286,890	-	-	3,286,890
Public works	5,150,206	6,984,254	25,859	-	-	12,160,319	-	-	12,160,319
Health and public assistance	-	15,529,064	642,582	-	-	16,171,646	-	-	16,171,646
Cultural and recreational	-	6,634,922	-	3,674,721	-	10,309,643	-	297,862	10,607,505
Community Development	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	31,177,249	-	31,177,249
Interest and other charges	-	-	-	-	-	-	17,459,883	-	17,459,883
Intergovernmental	-	1,186,948	6,745,167	-	-	7,932,115	-	-	7,932,115
Matured bonds and interest payable	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total liabilities	5,150,206	36,353,236	7,855,208	3,674,721	184,612	53,217,983	48,637,132	297,862	102,152,977
Excess (deficiency) of revenue over expenditures	2,114,793	(8,481,003)	(283,943)	(527,470)	9,175	(7,168,448)	(48,637,132)	132,235	(55,673,345)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of land	-	-	283,943	-	-	283,943	-	-	283,943
Proceeds from refunding of bonds	-	-	-	-	-	-	30,451,561	-	30,451,561
Payment to bond refunding escrow agent	-	-	-	-	-	-	(30,451,561)	-	(30,451,561)
Transfers in	-	4,063,123	-	500,000	-	4,563,123	48,637,132	-	53,200,255
Transfers out	(2,306,870)	(93,199)	-	-	(2,395)	(2,402,464)	-	-	(2,402,464)
Total other financing sources and uses	(2,306,870)	3,969,924	283,943	500,000	(2,395)	2,444,602	48,637,132	-	51,081,734
Net change in fund balances	(192,077)	(4,511,079)	-	(27,470)	6,780	(4,723,846)	-	132,235	(4,591,611)
Fund balances--beginning	2,347,592	-	-	-	203,074	2,550,666	-	5,448,966	7,999,632
Adjustment to beginning fund balances	-	15,022,757	-	-	-	15,022,757	-	-	15,022,757
Fund balances--ending	\$ 2,155,515	\$ 10,511,678	\$ -	\$ (27,470)	\$ 209,854	\$ 12,849,577	\$ -	\$ 5,581,201	\$ 18,430,778



Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The individual internal service funds are:

Storehouse Fund – to acquire and issue to the operating departments materials, parts, and supplies which are used in the same form as purchased

Fleet Management Fund – to provide the operating departments with maintenance, repair and service for the City fleet of vehicles, heavy equipment and miscellaneous machinery

CITY OF NORFOLK, VIRGINIA
Combining Statement of Net Assets - Internal Service Funds
June 30, 2002

Exhibit G-1

	Storehouse	Fleet Management	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 66,149	\$ 2,139,019	\$ 2,205,168
Receivables, net	80	110,267	110,347
Internal balances	-	(5)	(5)
Inventories	1,185,715	396,250	1,581,965
Total current assets	<u>1,251,944</u>	<u>2,645,531</u>	<u>3,897,475</u>
Noncurrent assets:			
Capital assets:			
Buildings and equipment, net	26,888	7,246,448	7,273,336
Total noncurrent assets	<u>26,888</u>	<u>7,246,448</u>	<u>7,273,336</u>
Total assets	<u>\$ 1,278,832</u>	<u>\$ 9,891,979</u>	<u>\$ 11,170,811</u>
LIABILITIES			
Current liabilities:			
Vouchers/Accounts payable	\$ 37,575	\$ 113,063	\$ 150,638
Compensated absences	25,045	156,293	181,338
Accrued payroll	7,593	51,817	59,410
Bonds, notes, and loans payable	-	61,358	61,358
Total current liabilities	<u>70,213</u>	<u>382,531</u>	<u>452,744</u>
Noncurrent liabilities:			
Compensated absences	5,894	84,771	90,665
Other long-term liabilities	-	122,331	122,331
Total noncurrent liabilities	<u>5,894</u>	<u>207,102</u>	<u>212,996</u>
Total liabilities	<u>\$ 76,107</u>	<u>\$ 589,633</u>	<u>\$ 665,740</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,888	7,062,759	7,089,647
Unrestricted	1,175,837	2,239,587	3,415,424
Total net assets	<u>1,202,725</u>	<u>9,302,346</u>	<u>10,505,071</u>
Total liabilities and net assets	<u>\$ 1,278,832</u>	<u>\$ 9,891,979</u>	<u>\$ 11,170,811</u>

CITY OF NORFOLK, VIRGINIA

Exhibit G-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets and Changes in Fund Net Assets - Internal Service Funds For the Year Ended June 30, 2002

	Storehouse	Fleet Management	Total
Operating revenue:			
Charges for services	\$ 2,369,169	\$ 6,045,561	\$ 8,414,730
Miscellaneous	840	2,924	3,764
Total operating revenue	<u>2,370,009</u>	<u>6,048,485</u>	<u>8,418,494</u>
Operating expenses:			
Personal services	366,686	2,610,075	2,976,761
Cost of goods sold	1,960,462	2,924,233	4,884,695
Plant operations	7,721	107,178	114,899
Depreciation	15,958	343,346	359,304
Other	39,752	216,201	255,953
Total operating expenses	<u>2,390,579</u>	<u>6,201,033</u>	<u>8,591,612</u>
Operating income (loss)	<u>(20,570)</u>	<u>(152,548)</u>	<u>(173,118)</u>
Nonoperating revenue (expenses):			
Interest and investment revenue	3,156	38,817	41,973
Gain/(loss) on disposal of fixed assets	-	(280)	(280)
Interest expense	-	(12,320)	(12,320)
Miscellaneous expense	-	-	-
Total nonoperating revenue (expenses)	<u>3,156</u>	<u>26,217</u>	<u>29,373</u>
Net income (loss) before contributions and transfers	<u>(17,414)</u>	<u>(126,331)</u>	<u>(143,745)</u>
Capital contributions	-	-	-
Transfers in (out)	-	-	-
Change in net assets	<u>(17,414)</u>	<u>(126,331)</u>	<u>(143,745)</u>
Net assets--beginning	1,220,139	9,428,677	10,648,816
Net assets--ending	<u>\$ 1,202,725</u>	<u>\$ 9,302,346</u>	<u>\$ 10,505,071</u>

CITY OF NORFOLK, VIRGINIA
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2002

Exhibit G-3

	Storehouse	Fleet Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,470,768	\$ 6,111,873	\$ 8,582,641
Payments to suppliers	(2,044,059)	(3,424,511)	(5,468,570)
Payments to employees	(367,914)	(2,594,501)	(2,962,415)
Net cash provided (used) by operating activities	58,795	92,861	151,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt	-	(57,879)	(57,879)
Purchases of capital assets	-	(28,570)	(28,570)
Net cash provided (used) by capital and related financing activities	-	(86,449)	(86,449)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	-	-	-
Interest and dividends	3,156	38,818	41,974
Net cash provided by investing activities	3,156	38,818	41,974
Net increase (decrease) in cash and cash equivalents	61,951	45,230	107,181
Cash and cash equivalents - beginning of the year	4,198	2,093,789	2,097,987
Cash and cash equivalents - end of the year	\$ 66,149	\$ 2,139,019	\$ 2,205,168
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (20,570)	\$ (152,548)	\$ (173,118)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	15,958	343,346	359,304
Provision for bad debts	-	65,553	65,553
Gain (loss) on disposal of assets	-	(280)	(280)
Change in assets and liabilities:			
Receivables, net	374	(7,438)	(7,064)
Internal balances	-	(506)	(506)
Inventories	100,385	5,273	105,658
Other assets/prepaid expenses	(2,272)	-	(2,272)
Accounts/vouchers payables	(26,259)	(46,701)	(72,960)
Accrued payroll	(7,593)	(51,817)	(59,410)
Other liabilities	(1,228)	(62,021)	(63,249)
Net cash provided by operating activities	\$ 58,795	\$ 92,861	\$ 151,656
Noncash investing, capital, and financing activities:			
Write-off of impaired fixed assets	\$ -	\$ (280)	\$ (280)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Exhibit H

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures
<u>Department of Agriculture:</u>		
Direct Payments:		
Food Stamp Program - Administration	10.561	\$ 3,601,042
Pass-through Payments:		
State Department of Agriculture:		
National School Lunch Program (Commodities)	10.556	803,215
National School Breakfast Program	10.553	1,903,978
National School Lunch Program	10.555	6,849,278
USDA Summer Food Service Program (SFSP)	10.559	135,110
<u>Department of Housing and Urban Development:</u>		
Direct Payments:		
Community Development Block Grant	14.218	7,432,839
Emergency Shelter Grant - Administration	14.231	38,423
Planning Council	14.231	47,043
Ecumenical Family Services	14.231	43,912
St. Columbia Ministries	14.231	33,838
YWCA Shelter Program	14.231	57,019
The Haven Family Center	14.231	46,041
Homeless Prevention Program	14.231	23,425
Home Loan Program	14.239	602,753
Home Investment Partnership	14.239	752,393
<u>US Department of the Interior</u>		
Pass-Through Payments:		
Elizabeth River Trail	15.921	80,458
<u>Department of Justice:</u>		
Direct Payments:		
Community Oriented Policing Services:		
COPS Grant	16.710	330,169
Police Accountability Grant	16.710	31,968
Bureau of Justice Grant	16.710	476,682
Bulletproof Vests Grant	16.607	8,358
Enhancing School Security	16.711	(2)
Crime Prevention - Human Services	16.711	(2,686)
Federal Forfeiture - Special Police Grant	16.700	28,511
Juvenile Offender	16.523	5,971

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Exhibit H

Federal Granting Agency/Recipient	CFDA	Federal
Recipient State Agency/Grant program	Number	Expenditures
Pass-Through Payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Incentive	16.523	85,690
Edward Byrne Memorial Grant	16.580	5,555
Post Traumatic Stress Program	16.540	17,500
Victim Witness Assistance Program	16.540	121,502
Family Probation Services	16.540	74,449
Weekend Incentive and Sanction	16.540	47,889
VSTOP Prosecutorial Project	16.540	38,058
School Resource Officer Program	16.540	31,677
Local Offndr Treatmt and Sprvsn (LOTS)	16.540	(7,658)
Norfolk Adolescent Sex Offend	16.203	47,637
Juvenile Sex Offender Prog	16.203	7,034
Safe Neighborhood Grant	16.609	23,404
School Abuse Support	16.730	47,963
<u>Department of Labor:</u>		
Pass-Through Payments:		
Transitional Aid to Needy Families	17.253	158,526
Job Training Partnership Act	17.250	732,991
SVJTA Job Training Grant	17.250	44,283
Local Partnership Grant	17.249	272,843
<u>Department of Transportation:</u>		
Pass-Through Payments:		
Virginia Port Authority	20.801	41,700
<u>Federal Emergency Management Agency:</u>		
Federal Emergency Management Assistance (FEMA)	83.554	56,380
Ocean View Flood Mitigation	83.536	375,000
<u>Department of Education:</u>		
Direct Payments:		
School Assistance in Federally Affected Areas	84.041	6,284,370
Pass-Through Payments:		
Department of Education:		
Education Consolidation and Improvement Act of 1981:		
Adult Education	84.002	315,289
Advanced placement	84.330	4,900
Title I:		
Educationally Deprived Children-		
Programs Operated by LEA's	84.010	8,797,446
Comprehensive School Reform Demonstration Program	84.332A	25,510
Chapter I:		
Evenstart Program	84.213	105,551
Title II:		
Eisenhower Mathematics and Science Education	84.281	260,236
Safe Schools Act of 1994:		
Safe Schools Grant	84.277	2,175,304

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Exhibit H

Federal Granting Agency/Recipient	CFDA Number	Federal Expenditures
Recipient State Agency/Grant program		
Title VI:		
Negligent Delinquent Children	84.010	120,025
Elementary and Secondary Education Act (ESEA):		
Title VI-B:		
Assistance to States for Education of Handicapped		
Children:		
Handicapped State Grants	84.027	5,270,947
Alternate Assessment	84.027	350
Silver Grant	84.027A	42,404
Handicapped Preschool Incentive Grant	84.173	292,541
Assistive Technology Grant	84.027A	990
Title IV-B:		
Vocational Education:		
Consumer and Homemaking	84.048A	964,245
Sub Teach Linkage	84.048	390
Occ Home Economics	84.048	195
313 Grant Part-H	84.027	14,667
Special Projects:		
Drug Free Act	84.186	716,177
ESEA, Chapter II	84.298	314,699
Collaborative Personnel Training	84.323	23,409
Class Size Reduction Incentive	84.340	1,494,025
McKinney Homeless Assistance	84.196	19,304
Challenge Grant for Technology in Education	84.318	63,416
Goals 2000	84.276	65,688
Educate America Act - Goals 2000	84.276	257,889
Inservice Training - Goals 2000	84.276A	18,415
Smaller Learning Community	84.215L	114,975
School Emergency Response to Violence	84.184	17,762
Technology Literacy Challenge Fund	84.318	720,185
Inservice Training - Goals 2000	84.276	2,568
Reading Excellence	84.338	638,414
Refugee School Impact Grant	84.310	7,634
Department of Defense	84.010	722,180
 <u>Department of the Navy:</u>		
NJROTC	12.300	182,673
USS Wisconsin Grant	12.700	(35,371)
 <u>Department of Commerce:</u>		
Economic Development Administration:		
EDA - Economic Adjustment Implementation (01-49-03642)	11.307	185,479

CITY OF NORFOLK, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

Exhibit H

Federal Granting Agency/Recipient Recipient State Agency/Grant program	CFDA Number	Federal Expenditures
<u>Department of Health and Human Services:</u>		
Pass-Through Payments:		
Department of Mental Health and Mental Retardation:		
HIV Counselors Grant	93.118	29,684
Mental Health - PATH	93.150	60,871
Family Support and Preservation - IV - B2	93.556	228,435
Temporary Assistance to Needy Families	93.558	4,145,372
Refugee and Entrant Assistance State Administered Prog	93.566	7,682
Local-Income Home Energy Assistance	93.568	83,234
Payments to States for Child Care Assistance	93.575	3,443,502
Child Care Development	93.596	2,459,874
Child Day Care	93.596	26,881
Foster Care - Title IV - E	93.658	3,410,208
Respite Care	93.658	14,084
Adoptive Assistance	93.659	464,104
Social Services Block Grant	93.667	2,843,882
Independent Living Initiative Program	93.674	51,120
VA Children's Medical Insurance Plan	93.767	28,701
Medical Assistance Program - Administrative	93.778	2,219,577
HIV/AIDS Grant	93.914	4,565,555
Mental Health FBG	93.958	147,989
Substance Abuse FBG	93.959	2,057,375
NCSB Early Intervention	93.959	64,397
Bon Secours Hospital	93.243	4,257
Sentara Health Systems	93.243	19,036
CHKD - Hospital-Based Eligibility	93.243	23,737
NICER	N/A	255,591
NIC Pool Funds	N/A	6,469
Detention Home Study	N/A	13,500
City and Municiple Equality Grant	N/A	40,719
Other local grants (not specified)	N/A	154,475
Federal revenues for payment of Sheriff work force	N/A	12,600
CSA Administration	N/A	19,832
Totals		<u>\$ 82,659,786</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2002

1. General:

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City. The City of Norfolk single audit reporting entity includes the primary government, the School Board component unit and Community Services Board component unit, and excludes the component unit of the Norfolk Redevelopment and Housing Authority.

Federal awards not received through direct programs are passed through the departments and agencies of the Commonwealth of Virginia.

2. Basis of Accounting:

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred or measurable. The related revenue is reported net of unexpended amounts returned to grantors.

3. Relationship to the Basic Financial Statements:

General Fund	\$ 22,426,628
Special Revenue Funds	17,161,635
Component Unit - School Board revenues recognized in other funding sources	182,673
Component Unit - School Board	40,423,677
Component Unit - Other: Community Services Board	2,454,445
Total federal financial assistance reported in basic financial statements	<u>82,649,058</u>

Federal awards not reported as revenue in
basic financial statements

Donated food	10,728
Total federal awards	<u><u>\$ 82,659,786</u></u>

Reconciliation to Exhibit A-3

Revenues from federal government	\$ 39,588,263
Revenues from Commonwealth of Virginia	93,743,347
Total intergovernmental revenue	<u><u>\$ 133,331,610</u></u>

Federal award revenue is reported in the City's basic financial statements as follows:

4. Relationship to Federal Financial Reports:

Amounts reported in the accompanying schedule agree substantially with the amounts reported in the federal financial reports except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of expenditures of federal awards is prepared on the basis of accounting described in Note 2 above.

CITY OF NORFOLK, VIRGINIA

TABLE I

General Governmental Expenditures by Function (Unaudited) Last Ten Fiscal Years

Fiscal Year	General Government Admini- stration	Judicial Admini- stration	Public Safety	Public Works	Health and Public Assistance	Education	Parks, Recreation and Cultural Enrichment	Community Development	Debt Service	Total
1993	\$ 31,380,193	\$ 4,929,892	\$ 70,032,905	\$ 31,935,466	\$ 34,568,832	\$ 206,822,218	\$ 25,850,654	\$ 8,976,996	\$ 29,842,792	\$ 444,339,948
1994	35,215,747	5,150,580	71,312,702	31,017,108	32,986,775	211,834,263	26,188,291	10,082,169	29,632,550	453,420,185
1995	36,917,111	6,126,662	76,472,235	32,650,627	35,014,726	214,978,211	26,339,849	13,984,263	38,203,355	480,687,039
1996	35,870,322	6,165,476	77,926,122	31,077,170	35,241,620	227,904,487	25,795,551	10,883,099	40,891,856	491,755,703
1997	36,720,966	6,752,504	85,920,183	26,352,551	35,429,802	229,932,404	33,077,355	13,732,616	45,740,591	513,658,972
1998	36,188,247	7,722,881	86,705,932	26,327,258	36,618,924	207,023,513	35,069,244	14,502,482	49,587,664	499,746,145
1999	35,434,071	7,391,037	89,995,173	28,876,783	40,489,774	215,462,984	39,324,139	16,539,497	45,684,622	519,198,080
2000	39,086,673	7,973,128	91,929,625	30,611,202	44,310,724	235,275,491	40,505,916	20,348,088	48,398,339	558,439,186
2001	40,735,804	6,512,446	107,955,580	44,737,728	37,181,572	244,598,970	29,567,789	16,365,845	51,121,038	578,776,772
2002	42,328,152	7,230,870	112,625,249	43,963,829	45,429,383	243,990,697	30,241,641	16,944,778	48,637,132	591,391,731

Notes:

1. This table includes General Fund, Debt Service Fund and School General Fund, which are the only funds financed by the City's General Fund Operating Budget.
2. Debt services expenditures in this table include fiscal agent's charges in addition to the amounts itemized in Table X1.
3. This table excludes subsidies to the Lake Taylor Transitional Care Hospital for fiscal years 1994 and 1993 of \$500,000 and \$1,507,000.

CITY OF NORFOLK, VIRGINIA

TABLE II, IIA

General Governmental Revenue by Source (Unaudited) - TABLE II
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-Governmental	Total
1993	\$ 129,944,877	\$ 89,727,888	\$ 1,947,631	\$ 1,422,143	\$ 3,995,253	\$ 8,127,175	\$ 2,326,083	\$ 27,477,451	\$ 168,220,440	\$ 433,188,941
1994	132,861,311	96,577,238	2,002,224	1,361,968	4,343,099	9,326,722	2,693,680	34,323,156	165,388,053	448,877,451
1995	135,788,774	103,122,156	2,230,416	1,493,113	5,363,377	9,640,634	2,551,876	31,790,427	180,219,136	472,199,909
1996	139,635,344	103,292,568	2,018,502	1,373,753	7,399,907	10,976,586	2,947,168	34,587,209	184,672,967	486,904,004
1997	142,920,221	101,130,721	2,030,715	1,304,211	9,078,810	11,515,318	4,526,540	48,835,502	182,672,501	504,014,539
1998	147,227,814	106,499,321	2,079,831	1,772,497	7,622,862	13,079,828	6,168,450	14,467,686	198,223,686	497,141,975
1999	147,831,366	111,212,019	2,505,284	1,919,987	8,991,816	13,865,238	7,291,274	11,139,044	219,871,543	524,627,571
2000	152,061,598	119,106,596	2,942,853	1,660,692	9,581,176	13,163,379	4,490,174	12,337,518	245,158,349	560,502,335
2001	153,366,476	126,536,522	2,600,873	1,683,980	10,273,560	13,217,753	4,111,221	14,135,337	258,036,874	583,962,596
2002	159,512,496	127,262,071	2,699,765	1,541,388	7,034,215	10,765,690	4,580,265	10,008,260	105,577,097	428,981,247

Note: This table includes General Fund and School General Fund which have the only revenue included in the City's General Fund Operating Budget.

General Governmental Tax Revenue by Source (Unaudited) - TABLE IIA
Last Ten Fiscal Years

Fiscal Year	Sales and Use Taxes	Consumers' Utility Taxes	Business License Taxes	Motor Vehicle Licenses	Cigarette Taxes	Restaurant Food Taxes	Other	Total
1993	\$ 18,817,063	\$ 29,715,545	\$ 13,534,915	\$ 3,077,052	\$ 3,606,576	\$ 12,788,353	\$ 8,188,384	\$ 89,727,888
1994	21,174,171	31,109,211	13,466,752	3,053,144	4,222,714	13,253,060	10,298,186	96,577,238
1995	20,800,455	34,051,267	14,884,297	3,084,258	4,279,126	14,479,249	11,543,504	103,122,156
1996	21,447,926	33,129,275	14,119,038	3,073,676	4,523,422	14,720,250	12,278,981	103,292,568
1997	21,349,623	30,998,963	15,071,175	3,095,033	3,777,077	15,019,435	11,819,415	101,130,721
1998	21,023,273	33,853,298	14,818,350	3,112,344	4,506,931	15,003,269	14,181,856	106,499,321
1999	22,601,880	33,189,179	15,931,734	3,307,551	4,918,212	15,676,558	15,586,905	111,212,019
2000	24,320,896	34,224,010	18,095,451	3,391,309	3,940,155	17,065,896	18,068,879	119,106,596
2001	25,495,634	38,988,006	18,352,142	3,479,472	4,121,958	18,759,238	17,340,072	126,536,522
2002	25,267,193	37,921,850	18,644,013	3,553,824	4,279,719	19,287,924	18,307,548	127,262,071

Note: This table presents additional details on other local taxes presented in Table II above.

CITY OF NORFOLK, VIRGINIA

TABLE III

Real and Personal Property Tax Levies and Collections (Unaudited) Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1993	\$ 126,069,230	\$ 118,673,004	94.13 %	\$ 9,094,029	\$ 127,767,033	101.35 %	\$ 15,327,385	12.16 %
1994	130,450,078	122,691,911	94.05	8,536,890	131,228,801	100.60	15,746,289	12.07
1995	133,352,273	124,827,522	93.61	9,157,930	133,985,452	100.47	16,262,308	12.19
1996	137,593,231	127,974,549	93.01	9,857,483	137,832,032	100.17	16,803,874	12.21
1997	140,636,759	130,464,402	92.77	10,637,425	141,101,827	100.33	18,093,733	12.87
1998	144,793,808	134,888,759	93.16	10,726,945	145,615,704	100.57	18,549,874	12.81
1999	150,746,760	136,667,622	90.66	11,067,727	147,735,349	98.00	24,088,295	15.98
2000	158,268,196	145,772,017	92.10	14,864,889	160,636,906	101.50	22,966,676	14.51
2001	164,289,477	151,920,934	92.47	13,500,607	165,421,541	100.69	23,849,503	14.52
2002	171,755,456	158,914,465	92.53	12,882,988	171,797,453	100.03	25,353,069	14.76

Note:

1. Delinquent tax collections are reported in the year collected.
2. The State's share of personal property tax collections is included in the Total Tax Collections Column for fiscal years 1999, 2000, 2001, and 2002.

CITY OF NORFOLK, VIRGINIA
Assessed Value of Taxable Property (Unaudited)
Last Ten Fiscal Years

TABLE IV

	(in thousands)									
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed value of real property - general	\$6,734,305	\$6,754,362	\$6,761,945	\$6,798,233	\$6,872,499	\$ 7,046,440	\$ 7,327,401	\$ 7,476,357	\$ 7,802,681	\$ 8,189,358
Assessed value of real property - public service corporations	<u>473,873</u>	<u>508,067</u>	<u>530,063</u>	<u>529,553</u>	<u>515,485</u>	<u>572,939</u>	<u>606,996</u>	<u>621,756</u>	<u>655,600</u>	<u>692,706</u>
Total real property	<u>7,208,178</u>	<u>7,262,429</u>	<u>7,292,008</u>	<u>7,327,786</u>	<u>\$ 7,387,984</u>	<u>\$ 7,619,379</u>	<u>\$ 7,934,397</u>	<u>\$ 8,098,113</u>	<u>\$ 8,458,281</u>	<u>\$ 8,882,064</u>
Assessed value of personal property - general	625,016	679,926	741,092	812,624	830,554	845,023	897,065	1,021,308	1,038,672	1,100,703
Assessed value of personal property - public service corporations	<u>3,671</u>	<u>3,716</u>	<u>3,206</u>	<u>3,043</u>	<u>3,558</u>	<u>3,080</u>	<u>3,011</u>	<u>2,318</u>	<u>2,257</u>	<u>2,280</u>
Total personal property	<u>628,687</u>	<u>683,642</u>	<u>744,298</u>	<u>815,667</u>	<u>834,112</u>	<u>848,103</u>	<u>900,076</u>	<u>1,023,626</u>	<u>1,040,929</u>	<u>1,102,983</u>
Assessed value of machinery and tools	92,809	118,476	131,207	144,698	157,197	166,625	171,425	162,147	160,075	166,016
Assessed value of mobile homes	2,959	2,917	3,168	2,932	2,854	1,807	2,022	1,912	1,713	1,479
Assessed value of airplanes	5,992	8,236	8,489	8,741	5,593	5,690	7,764	6,894	13,065	13,759
Assessed value of boats	<u>26,323</u>	<u>28,159</u>	<u>28,909</u>	<u>26,578</u>	<u>26,298</u>	<u>26,757</u>	<u>38,752</u>	<u>32,347</u>	<u>54,021</u>	<u>38,591</u>
Total other	<u>128,083</u>	<u>157,788</u>	<u>171,773</u>	<u>182,949</u>	<u>191,942</u>	<u>200,879</u>	<u>219,963</u>	<u>203,300</u>	<u>228,874</u>	<u>219,845</u>
Total taxable property	<u>\$ 7,964,948</u>	<u>\$ 8,103,859</u>	<u>\$ 8,208,079</u>	<u>\$ 8,326,402</u>	<u>\$ 8,414,038</u>	<u>\$ 8,668,361</u>	<u>\$ 9,054,436</u>	<u>\$ 9,325,039</u>	<u>\$ 9,728,084</u>	<u>\$ 10,204,892</u>

CITY OF NORFOLK, VIRGINIA
Direct Property Tax Rates (Unaudited)

TABLE V

	Last Ten Fiscal Years									
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Property tax rate per \$100 of assessed value:										
Real property	\$ 1.38	\$ 1.38	\$ 1.38	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
Business Improvement District	-	-	-	-	-	-	0.24	0.20	0.18	-
Personal property	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Machinery and tools	3.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Mobile homes	1.38	1.38	1.38	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Airplanes	1.60	3.20	3.20	3.20	3.20	3.20	2.40	2.40	2.40	2.40
Boats (pleasure)	1.50	1.50	1.50	1.50	1.50	1.60	1.50	0.01	0.01	0.01
Boats (business)	1.50	1.50	1.50	1.50	1.50	1.60	1.50	1.50	1.50	1.50
Recreational vehicles	-	-	-	-	-	-	2.00	2.00	2.00	2.00
Disabled Veterans									3.00	3.00
Assessed value of real property as a percent of fair market value:										
As determined by the City Assessor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
As determined by the Commonwealth's Department of Taxation	92%	94%	94%	94%	96%	94%	93%	90%	-	-

Notes:

1. Cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county government since they are located outside of any county boundaries.
2. The real property and personal property assessments for public service corporations are based on information furnished to the Commissioner of the Revenue by the State Corporation Commission and the Commonwealth's Department of Taxation for calendar years 1990 through 2002.
3. The most recent Virginia Assessment/Sales ratio study is for 2000.

CITY OF NORFOLK, VIRGINIA
Top 10 Principal Real Property Taxpayers (Unaudited)

TABLE VI

Standard Industrial Classification (SIC) Code	North American Industry Classification System (NAICS) Code	Taxpayer	Type of Business	2002 Real Property Assessed Value	Percentage of Total Real Property Assessed Value
4812	5133	Verizon Virginia, Inc.	Public service utility	\$ 193,357,336	2.18%
4911	2211	Dominion Virginia Power	Public service utility	167,115,403	1.88%
6519	5311	Mac Arthur Shopping Center, L.L.C.	Retail	149,780,100	1.69%
4011	4821	Norfolk Southern Corporation	Public service railroad	71,911,174	0.81%
6021	5221	Bank of America	Bank	64,360,500	0.72%
6519	5311	Military Circle Ltd. Partnership	Shopping center	62,386,800	0.70%
3711	3361	Ford Motor Company	Truck manufacturer	61,274,200	0.69%
6519	5311	New Life Tower	Office building	50,872,600	0.57%
4812	5133	Cox Virginia Telecom, Inc.	Public service utility	47,786,599	0.54%
4911	2211	Virginia Natural Gas	Public service utility	39,965,364	0.45%
		Total principal taxpayers		<u>\$ 908,810,076</u>	<u>10.23%</u>

Note: Total assessed value of taxable real property including public service corporations , at June 30, 2002 is \$8,882,063,788.

CITY OF NORFOLK, VIRGINIA
Computation of Legal Debt Margin (Unaudited)
June 30, 2002

TABLE VII

Total assessed value of taxed real property		\$ 8,882,063,788
Debt limit - 10 percent of total assessed value		\$ 888,206,378
Amount of debt applicable to debt limit:		
Gross debt (Notes 1 and 4)	\$ 430,195,000	
General obligation (bond anticipation notes)	-	
General obligation (guaranty)	3,300,000	
General obligation (QRBs)	20,550,000	
General obligation (QZABs)	9,600,861	463,645,861
Legal debt margin		\$ 424,560,517
Amount of debt as a percent of debt limit		<u>52.20%</u>

Notes:

1. Defeased bonds totaling \$33,590,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
The 1993 refunded bonds will be called for optional redemption before maturity in the amount of \$16,090,000 on February 1, 2003, at a price of 102%. The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$17,500,000 on June 1, 2005, at a price of 101%.
2. The outstanding obligations under capital leases totaling \$11,044,539 for the purchase of equipment are not included in the legal debt margin calculation. Other outstanding obligations are properly excluded. These obligations include: obligations for vested compensated absences of \$11,928,318, obligations for retirees' life insurance benefits of \$990,000, obligations for workers' compensation claims of \$10,692,405, obligations for automobile and general liability claims of \$961,915 and obligations for landfill closure and post-closure costs of \$1,847,825.
3. Water and Parking revenue bonds are excluded from gross debt. The revenue bonds are collateralized solely from the revenue of the Water Utility and Parking Facilities Funds.

CITY OF NORFOLK, VIRGINIA

TABLE VIII

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita (Unaudited) Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value of Taxable Property (In Thousands)	Gross Bonded Debt	Debt Payable from Enterprise Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1993	242,600	\$ 7,964,948	\$ 441,680,001	\$ 181,752,934	(3) \$ 259,927,067	(3) 3.26	\$ 1,071
1994	239,900	8,103,859	492,280,003	182,577,454	(3) 309,702,549	(3) 3.82	1,291
1995	234,400	8,208,079	508,820,006	172,742,695	336,077,311	4.09	1,434
1996	231,700	8,326,402	531,590,006	163,872,079	367,717,927	4.42	1,587
1997	229,600	8,414,038	539,425,001	158,819,126	380,605,875	4.52	1,658
1998	226,900	8,668,361	546,935,001	155,077,914	391,857,087	4.52	1,727
1999	225,700	9,054,436	508,805,001	141,668,034	367,136,967	4.05	1,658
2000	225,700	9,325,039	488,351,540	128,007,237	360,344,303	3.86	1,537
2001	234,500	9,728,084	468,445,247	114,528,097	353,917,150	3.64	1,509
2002	234,500	10,204,892	460,345,861	112,049,824	348,296,037	3.41	1,485

Notes:

1. The source of calendar year population estimates for 1992 through 1999 is the Center for Public Service, University of Virginia. The population for 2000 and 2001 is the 2000 Census.
2. Assessed value of taxable property is detailed in Table IV.
3. Debt payable from enterprise revenue excludes the Hospital Authority of Norfolk for 1993 through 1994 and includes the Storm Water Utility Fund for 1993

CITY OF NORFOLK, VIRGINIA
Revenue Bond Coverage (Unaudited) - Table IX
Water Utility Fund
June 30, 2002

TABLE IX, X

Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Annual Revenue Bond Debt Service	Revenue Bond Debt Service Coverage Ratio
1994	\$ 49,509,971	\$ 24,027,183	\$ 25,482,788	\$ 2,494,592	10.22 %
1995	53,540,390	25,443,393	28,096,997	4,564,418	6.16
1996	57,628,743	26,104,506	31,524,237	11,078,622	2.85
1997	68,487,095	26,925,589	41,561,506	11,598,518	3.58
1998	59,477,607	28,105,154	31,372,453	12,672,113	2.48
1999	73,326,682	26,067,025	47,259,657	14,438,930	3.27
2000	64,456,322	28,198,244	36,258,078	18,091,718	2.00
2001	64,459,300	28,732,203	35,727,097	18,091,636	1.97
2002	63,681,665	29,021,459	34,660,206	18,980,180	1.83

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

Revenue Bond Coverage (Unaudited) - Table X
Parking Facilities Fund
June 30, 2002

Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Annual Revenue Bond Debt Service	Revenue Bond Debt Service Coverage Ratio
1997	\$ 9,693,900	\$ 2,933,182	\$ 6,760,718	\$ 1,203,659	5.62 %
1998	11,193,681	3,666,490	7,527,191	2,888,783	2.61
1999	12,632,071	4,190,415	8,441,656	2,888,783	2.92
2000	15,820,975	5,495,665	10,325,310	4,964,744	2.08
2001	17,246,291	5,706,458	11,539,833	5,683,455	2.03
2002	18,427,725	7,309,883	11,117,842	5,404,816	2.06

Notes:

1. Includes operating revenue plus interest income not capitalized.
2. Includes operating expenses less depreciation and amortization.

CITY OF NORFOLK, VIRGINIA

TABLE XI

Ratio of Annual Debt Service Expenditures for General Bonded Debt and Other Debt to Total General Expenditures (Unaudited) For the Last Ten Fiscal Years

Fiscal Year	Principal on Serial Bonds	Redemption of Other Long-Term Debt	Interest on Serial Bonds	Interest on Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1993	\$ 14,427,872	\$ 1,385,447	\$ 15,411,113	\$ 454,440	\$ 31,678,872	\$ 444,339,948	7.13 %
1994	16,762,640	2,644,755	12,861,391	604,992	32,873,778	453,420,185	7.25
1995	20,241,259	3,426,549	17,956,679	602,647	42,227,134	480,687,039	8.78
1996	23,359,384	3,939,224	17,526,386	620,589	45,445,583	491,755,703	9.24
1997	26,087,051	3,473,985	19,651,778	556,073	49,768,887	513,658,972	9.69
1998	29,493,752	4,015,175	20,093,062	561,239	54,163,228	499,746,145	10.84
1999	27,280,120	3,603,355	18,403,652	457,573	49,744,700	519,198,080	9.58
2000	29,492,664	3,772,213	18,905,175	457,573	52,627,625	558,439,186	9.42
2001	32,064,594	4,138,633	19,055,944	667,364	55,926,535	578,776,772	9.67
2002	31,177,249	4,221,984	17,459,383	625,397	53,484,013	591,391,731	

Notes:

1. Total general expenditures include the expenditures of the General Fund, Debt Service Fund and School General Fund.
2. Total general expenditures are presented using the modified accrual basis of accounting. Under the modified accrual basis, expenditures are recognized when they become measurable and the related liability is incurred.

CITY OF NORFOLK, VIRGINIA
Computation of Direct Bonded Debt (Unaudited)
June 30, 2002

TABLE XII

<u>Jurisdiction</u>	Net Bonded Debt <u>Outstanding</u>	% Applicable to <u>Government</u>	\$ Applicable to <u>Government</u>
Direct:			
City of Norfolk	\$ 348,296,037	100%	\$ 348,296,037

Notes:

1. Enterprise funds are excluded.
2. There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of a county since they are located outside of any county boundaries.

CITY OF NORFOLK, VIRGINIA
Demographic Statistics (Unaudited)
For the Last Ten Fiscal Years

TABLE XIII

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>School Membership</u>	<u>Average Annual Rate of Un-employment</u>
1993	242,600	18,071	36,037	6.6
1994	239,900	18,790	35,395	7.1
1995	234,400	19,016	35,481	6.4
1996	231,700	19,625	35,059	6.8
1997	229,600	20,353	35,677	6.9
1998	226,900	21,313	35,978	5.3
1999	225,700	21,645	37,800	5.2
2000	234,403	22,383	35,141	4.2
2001	234,500	-	37,347	5.7
2002	234,500	-	37,006	-

Notes:

1. Data is not available for years for which no item is listed.
2. The source of calendar year population estimates for 1993 through 2002 is the Center for Public Service, University of Virginia. The population figure for 2000 is the 2000 Census.
3. The source of calendar year per capita income data is the Bureau of Economic Analysis.
4. School membership is for September 30 of each year; Norfolk Public Schools, Bureau of Testing and Statistics.
5. Unemployment rate is from the Virginia Employment Commission and is the average annual rate on a calendar year basis.

CITY OF NORFOLK, VIRGINIA
Property Value, New Construction and Bank Deposits (Unaudited)
For the Last Ten Fiscal Years

TABLE XIV

Fiscal Year	<u>Nonresidential Construction</u>		<u>Residential Construction</u>			Commercial Personal Property	Commercial Real Property	Individual Personal Property	Residential Real Property	Nontaxable Property
	Building Permits	Value (in Thousands)	Building Permits	Number of Units	Value (in Thousands)	(in Thousands)	(in Thousands)	(in Thousands)	(in Thousands)	(in Thousands)
1993	54	\$ 23,989	122	127	10,333	\$ 421,767	\$ 1,761,701	\$ 331,331	\$ 4,862,264	\$ 5,745,086
1994	57	35,353	206	283	20,532	476,909	1,727,230	360,805	4,877,054	5,881,014
1995	50	22,509	208	453	24,856	501,292	1,716,079	411,573	4,954,040	6,063,250
1996	46	26,147	192	214	17,024	519,199	1,739,273	449,795	4,994,277	6,118,817
1997	53	87,688	177	177	12,880	557,026	1,758,509	465,471	5,108,673	6,342,513
1998	54	79,500	192	282	24,263	574,623	1,884,971	471,279	5,365,410	6,377,080
1999	46	52,932	175	242	22,032	583,808	2,024,750	533,220	5,459,381	6,543,895
2000	45	138,472	187	307	32,609	625,137	2,159,299	599,471	5,477,479	6,807,306
2001	35	62,046	186	400	35,069	643,383	2,259,787	624,162	5,730,471	6,861,737
2002	53	51,451	290	462	44,498	678,095	2,337,440	642,454	6,121,946	7,014,866

Notes:

1. The source of nonresidential and residential construction is the Planning Department. Nonresidential construction includes commercial buildings, public buildings, schools, public utility buildings and miscellaneous structures.
2. Property values are based on data supplied by the Commissioner of the Revenue and the City Assessor. Real property is assessed at fair market value.
3. Property value information does not include property of public service corporations. Real property assessments shown do not include assessments for vacant land.

CITY OF NORFOLK, VIRGINIA
Water System Statistics (Unaudited)
June 30, 2002

TABLE XV

Number of Accounts	67,530
Average population served	700,000
Average daily pumpage (gallons per day)	74,440,000
Plant capacity (gallons per day)	134,000,000
Miles of water mains:	
Treated water mains	811
Raw water force mains	61
Number of fire hydrants	3,997
Average metered consumption (gallons per day):	
	GBD % of Total
Norfolk *	20,207,000 32.4%
Virginia Beach	33,224,000 53.2%
Navy	5,666,000 9.1%
Chesapeake	3,300,000 5.3%
	<u>62,397,000 100.0%</u>

* Note: No single retail customer exceeds 5% of metered consumption

Retail customer rates (per 1000 gals):				
Fiscal Year 1996			\$	2.74
Fiscal Year 1997				2.84
Fiscal Year 1998				2.94
Fiscal Year 1999				3.15
Fiscal Year 2000				3.36
Fiscal Year 2001				3.36
Wholesale customer rates (per 1000 gals):	Virginia	Navy -	Navy -	
	<u>Beach (1)</u>	<u>Norfolk (2)</u>	<u>Virginia Beach (3)</u>	<u>Chesapeake (4)</u>
Fiscal Year 1996	2.09	2.21	2.29	2.74
Fiscal Year 1997	2.43	2.65	2.74	2.84
Fiscal Year 1998	2.48	2.49	3.07	2.94
Fiscal Year 1999	2.75	2.77	3.43	3.25
Fiscal Year 2000	1.87	3.03	3.62	3.46
Fiscal Year 2001	1.88	3.12	3.62	3.46

Note:

1. Estimated average cost per thousand based on 30 million gallons per day (MGD) utilization. Fiscal Year 1998 based on 31.86 MGD utilization. Rates are determined pursuant to the Water Sales Contract.
2. Estimated average cost per thousand based on 6.75 million gallons per day (MGD) utilization.
3. Estimated average cost per thousand based on 2.00 million gallons per day (MGD) utilization.
4. Chesapeake was served with no written contract through fiscal year 1998 and thus paid retail rates. Since fiscal year 1999, Chesapeake is served with a written contract and thus pays retail rates plus a \$.10/1000 gallons surcharge.
5. For fiscal year 2000, the Virginia Beach water rate is determined based on the formula driven rate from the Virginia Beach Water Services Contract.

Additional Information:

Water Utility Annual Budget is contained in the City of Norfolk Approved Operating Budget, July 1, 1999 - June 30, 2000.

Water Utility Fund financial statements are contained in the financial section "Proprietary Funds" section of this document.

Financial information on the Water Utility Fund is provided in the "Introductory Section" and "Financial Section" of this document.

CITY OF NORFOLK, VIRGINIA

TABLE XVI

Parking System Statistics (Unaudited) June 30, 2002

Parking Rates

Off-street Daytime Parking	Tier 1	Tier 2	Tier 3
First hour or any part thereof	\$ 0.75	\$ 0.50	\$ 0.50
Two hours or any part thereof	\$ 1.50	\$ 1.25	\$ 1.00
Three hours or any part thereof	\$ 2.50	\$ 2.25	\$ 1.50
Four hours or any part thereof	\$ 4.50	\$ 3.25	\$ 2.00
Five hours or any part thereof	\$ 6.50	\$ 4.25	\$ 2.50
Six hours or any part thereof	\$ 8.50	\$ 5.25	\$ 3.00
Seven hours or any part thereof	\$ 10.50	\$ 6.25	\$ 3.50
Eight hours or any part thereof	\$ 12.50	\$ 7.25	\$ 4.00
Maximum up to 24 hours	\$ 14.00	\$ 8.00	\$ 4.50
Special event/Collect on entry	\$ 5.00	\$ 4.00	\$ 4.00

Short term rate structure for parking is based on "value parking" in a tiered structure, where rates are established based on demand. Tiered facilities are:

Tier 1	Tier 2	Tier 3
City Hall Avenue	Boush Street	Bute Street Garage
Main St. Garage	Freemason Street	Scope Garage
Plume Lane Garage	Union Street	Harbor Park
Town Point Garage	Monticello Lot	
Waterside Garage		
West Plume Street		
Federal Lot		

Short-term Parking at MacArthur Center Garages

Monday - Friday	Saturday & Sunday
\$1.00 for first hour - third hour	\$1.00 for entry prior to 6 PM
\$2.00 for each additional hour until 6 PM	\$2.00 for entry after 6 PM
\$2.00 for entry after 6 PM	
Maximum of \$10.00 per 24-hour period	Maximum of \$10.00 per 24-hour period

Special Events

Parking rates range from \$3.00 to \$5.00 per entry depending on a facility's location to the event

Metered Parking

On-street meter parking has three tiered rates like the short term rates. Tiers are priced in fifteen minute intervals of: Tier 1=\$0.35, Tier 2=\$0.25, Tier 3=\$0.15.. Downtown Norfolk streets west of St. Paul's Boulevard, City Hall Avenue and south, Waterside Drive and north, and all streets east of Boush Street including Boush Street are tier 1. Tier 2 includes all streets west of St. Paul's Boulevard and east of Duke Street; north of City Hall Avenue and south of Charlotte Street. All remaining downtown areas with meters are tier 3 structure.

Monthly Parking

Parking rates vary from \$43.00 per month in outlying lots to \$96.20 per month at the new West Plume Street multi-level garage.

Parking Fines

Parking Violation	Fine Schedule
Overtime Parking - Meter	\$15.00
Overtime Parking - Time Zone	\$30.00
Overtime Parking - Meter Feeding	\$25.00
No Parking	\$30.00
No Parking - Fire Hydrant	\$50.00
No Parking - Cross Walk	\$35.00
No Parking - Loading Zone	\$30.00
No Parking - Here to Corner	\$30.00
No Parking - Facing Wrong Way	\$25.00
No Parking - Bus Stop	\$35.00
No Parking - Street Cleaning	\$35.00
No Parking - This Side	\$25.00
No Stopping Zone	\$35.00
Restricted City Lot	\$30.00
No/Expired City License	\$50.00
Handicapped Parking	\$250.00
Taxi Stand	\$35.00
Blocking Driveway	\$30.00
Overnight Parking	\$25.00
Parking off of Roadway	\$35.00
Blocking Fire Lane	\$100.00
Towing Administration Fee	\$20.00

Fiscal Year 2002 Contractor's Collection Rate	
Parking tickets were issued	75,462
Collection rate	68%
Revenue	\$1,669,358

Additional Information:

Parking Annual Budget is contained in the City of Norfolk Approved Operating Budget.

Parking Fund financial statements are contained in the financial section "Proprietary Funds" of this document.

Financial information on the Parking Fund is provided in the "Introductory Section" and "Financial Section" of this document.

CITY OF NORFOLK, VIRGINIA
Miscellaneous Statistics (Unaudited)
June 30, 2002

TABLE XVII

Historical:

Established as a town	August 16, 1682
Established as a borough	September 25, 1736
Incorporated as a city	February 13, 1845
Date of first charter	Granted by King George II September 15, 1736
Date present charter adopted	February 7, 1918
Extended Boundary	1887, 1890, 1902, 1906, 1910, 1911, 1923, 1955, 1959, 1976, 1988

Form of government: Council-Manager

Area - Square Miles:

1930	37.19
1940	37.19
1950	37.19
1960	61.85
1970	61.85
1980	65.75
1990	65.98
1999	65.98

The area of the City was enlarged effective July 1, 1976, by virtue of an Act of the General Assembly of Virginia, which established the boundary between the cities of Norfolk and Portsmouth along the centerline of the Elizabeth River and along the centerline of the Southern Branch thereof. The legislature also established that certain portions of the Eastern Branch of the of the Elizabeth River lie within the boundaries of the City of Norfolk, that previously did not lie within the boundaries of any city or county. In 1988, Norfolk acquired jurisdiction over approximately 57 acres of land in East Ocean View

Miles of Streets (estimated):

Primary Roads	697
Secondary Roads	<u>1,314</u>
	<u><u>2,011</u></u>

Number of street lights - estimated 29,176

CITY OF NORFOLK, VIRGINIA
Miscellaneous Statistics (Unaudited)
June 30, 2002

TABLE XVII
Continued

Fire and Paramedical Rescue Services:		
	Number of stations	15
Number of employees:		
	Uniformed	482
	Civilian	8
	Total employees	490
Police Protection:		
	Number of patrol divisions	2
Number of employees:		
	Police (sworn officers)	747
	Civilian	129
	Total full-time employees	876
Education:		
Number of school buildings:		
	High Schools	5
	Middle Schools	8
	Elementary Schools	35
Other educational facilities:		
	Early Childhood Center	3
	Madison Career Center	1
	Norfolk Preparatory High School	1
	Skills Center	1
	Special Education	3
	Coronado School (for expectant mothers)	1
	Norfolk Technical Vocational Center	1
	Meadowbrook Center	1
	Stuart Gifted Center	1
	Total buildings	61
School employees (full-time staff)		5,284
Number of teachers/administrators		3,350
Average daily membership:		
	Secondary schools (middle and high)	10,546
	Elementary schools (including f-t kindergarten)	23,986
	Total average daily membership	34,532
Recreation and Culture:		
	Amphitheaters	-
	Harrison Opera House	1
	Baseball parks	1
	Basketball courts	300
	Boat ramps	4
	Dance/music center (Lakewood)	1
Football fields:		
	Regulation football	3
	Midget football	3
	Practice fields	9

CITY OF NORFOLK, VIRGINIA
Miscellaneous Statistics (Unaudited)
June 30, 2002

TABLE XVII
Continued

Libraries:			
	Main Library		1
	Branches		11
	Bookmobile		1
	Treasure Truck		1
	Approx. Number of volumes		1,098,656
Multiple use areas (greenways)			97
Municipal beaches (guarded)			4
Municipal golf courses			3
Parks (estimated acreage):			
	Botanical Gardens		177
	Other parks		865
	School ground recreation areas		757
	Picnic facilities (sites)		38
	Playgrounds		136
Recreation centers:			
	Community centers		8
	Boxing center (Barraud)		1
	Neighborhood centers		11
	Therapeutic Center (Mary Calcott)		1
	Titustown Art Center		1
	Senior citizen centers		2
	After school program centers		10
Ball fields:			
	Tournament class		19
	League class		34
	Neighborhood class (practice)		9
	Casual class (practice)		27
Swimming pools			4
Tennis courts			141
Rugby/soccer fields:			
	Youth		5
	Youth/Adult		13
	Rugby/football		2
	Tournament class		2
Zoo			1
Elections:			
General:		<u>5/2/2000</u>	<u>5/7/2002</u>
	Registered voters	104,839	105,092
	Ballots cast	25,461	19,145
	Percentage voting	24.29%	18.22%

CITY OF NORFOLK, VIRGINIA
Miscellaneous Statistics (Unaudited)
June 30, 2002

TABLE XVII
Concluded

Number of City positions (excluding School Board)	4,617
Population:	

Census population count:

1940	144,332
1950	213,513
1960	305,872
1980	266,979
1990	261,250
1999	225,700
2000	234,403

Age Distribution of population:

	<u>% under 20</u>	<u>% 20 - 64</u>	<u>% 65 and over</u>
1960	39.8	54.5	5.7
1970	35.4	57.8	6.8
1980	30.7	60.1	9.2
1990	28.1	61.4	10.5
**2000	28.6	61.5	10.9

** Population estimated for the year 2000 are per Census 2000.





**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting in Accordance with
*Government Auditing Standards***

The Honorable Members of the City Council
City of Norfolk, Virginia

We have audited the basic financial statements of the City of Norfolk, Virginia as of and for the year ended June 30, 2002, and have issued our report thereon dated October 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Virginia Beach, Virginia
October 11, 2002



**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the City Council
City of Norfolk, Virginia

Compliance

We have audited the compliance of the City of Norfolk, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002.

The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Virginia Beach, Virginia
October 11, 2002

CITY OF NORFOLK, VIRGINIA

Schedule of Findings and Questioned Costs Year Ended June 30, 2002

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City.
2. No reportable conditions in relation to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. The programs tested as major programs were:

Name of Program	CFDA#
HIV Prevention	93.914
Medical Assistance Program	93.778
Foster Care Title IV-E	93.658
Payments to States for Child Care Assistance	93.575
Payments to States for Child Care Assistance	93.596
Home Loan Program	14.239
Commodities	10.556
School Breakfast	10.553
School Lunch	10.555
Special Education - Grants to States	84.027
Title I Grants to Local Educational Agencies	84.010
Safe Schools Act of '94	84.277

7. The threshold for distinguishing Types A and B programs was \$2,479,794.
8. The City was not determined to be a low risk auditee.

B. Findings – Financial Statement Audit

None.

C. Findings and questioned Costs – Major Federal Award Programs Audit

None.